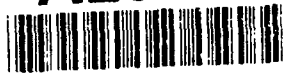


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## RISKY BUSINESS: FUNDAMENTALS FOR A SECURITY CONSENSUS IN 1990'S AND BEYOND

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In addition, Risky Business looks at some of the ways in which short-term and local domestic political considerations lead to suboptimal allocations of defense resources. This puts the military strategy at risk and at the same time rewards factional politics, the enemy of consensus. Here, the analysis considers force posture issues for the short term, and defense technology and industrial base issues for the longer term. In each case the overriding principles are established and their application demonstrated, including a discussion of the needed elements of consensus on each contentious issue.

# **RISKY BUSINESS**

**FUNDAMENTALS FOR A SECURITY CONSENSUS IN THE  
1990'S AND BEYOND**

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## **ABSTRACT**

*Risky Business: Fundamentals for a Security Consensus in the 1990's and Beyond* applies the concepts of comprehensive security and risk analysis to the problem of building a new national consensus in support of our reoriented national security strategy. The paper starts with a review of comprehensive security and demonstrates its applicability to analysis of the full spectrum of American political, economic, and military objectives. After looking at some of the prerequisites for consensus and discussing the trends that work against it, the analysis turns to elements of the strategy where our ability to achieve a fundamental consensus is most at risk.

The most significant general risk derives from newly revived domestic pressures for us to disengage ourselves from the rest of the world and turn more to solving our domestic problems. Such a policy orientation would be self-defeating; analysis of U.S. interests worldwide, including particularly our dependence on gains from international trade, supports this holding. Recognizing, however, that domestic needs in fact have legitimate claims on the attention of our leadership and on our resources, the analysis indicates that these needs can best be met by a growing economy. The paper then discusses policy options for creating an environment more conducive to economic growth, and the arguments that would help form a basis for consensus.

In addition, *Risky Business* looks at some of the ways in which short-term and local domestic political considerations lead to suboptimal allocations of defense resources. This puts the military strategy at risk and at the same time rewards factional politics, the enemy of consensus. Here, the analysis considers force posture issues for the short term, and defense technology and industrial base issues for the longer term. In each case the overriding principles are established and their application demonstrated, including a discussion of the needed elements of consensus on each contentious issue.

## INTRODUCTION

History is replete with examples of the serious and sometimes catastrophic consequences that follow from the failure of nations to comprehend the security risks facing them. Typically, we are most interested in examples of failure to appreciate military threats. This proclivity derives at least in part from the conventional tendency to think of security primarily or exclusively in military terms.<sup>1</sup> Thus, the most recent example is that of Kuwait and the rest of the GCC nations (arguably along with the rest of the world) failing to take seriously the military threat posed by Iraq. The most catastrophic example in modern history is the failure of the western industrialized democracies, notably Great Britain and France, to come to grips with the challenge posed by Nazi Germany. Contrasting with these examples is the case of the North Atlantic Alliance, which for forty-plus years has been the defining security identity for its member nations. The NATO alliance, and the cooperation that both fostered it and grew from it, has been chiefly responsible for the

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<sup>1</sup>And also, certainly, from the likelihood that these failures can have such serious consequences. Overestimating military threats can also have serious consequences, especially for strained economies, as the recent case of the former Soviet Union illustrates.

environment of security and prosperity enjoyed by both its European and its transatlantic partners.

The most obvious contrast between the cases of World War II and the Persian Gulf War, on the one hand, and the NATO case, on the other, is the absence of military conflict in the latter. This contrast could easily lead to a conclusion that a strong military deterrent posture is sufficient of itself to ensure peace and security, both in the short run and (citing the generation-spanning success of the Atlantic Alliance) in the long run. This notion holds elements of truth, chief among them the idea that military weakness is an invitation to major security threats or worse. It bespeaks an incomplete view of what really constitutes security, however, since it ignores the contributions made by the other elements of national power to the security and well being of citizens.

While it is at least theoretically possible for a nation to provide for its security by concentrating solely on the military dimension, this is unlikely to be the optimal way for a government to carry out its obligation to promote the general welfare of its people. Furthermore, since this approach focuses on the posturing of military forces to counter threats being posed by actual and potential adversaries, it tends more or less automatically to pose the same kinds of threats against those adversaries. This in turn causes them to build up their forces: the classical arms race



model.<sup>2</sup> One of the ways to stop this spiral, in theory, is to posture purely "defensive" military forces. A more realistic way, given the practical impossibility of getting people to agree on what is defensive and what isn't, is to arrange for resources to be channeled into alternative undertakings that also contribute to national power and the well being of citizens. This, in essence, is the concept of comprehensive security: recognizing the validity of other factors besides the military one in assessments of security.

This concept has long been recognized and manifested, directly or indirectly, as policy within the nations of the Atlantic Alliance, along with the rest of the industrialized democracies of the modern world. Indeed, one of the fundamental premises of the statesmen who forged the Atlantic Alliance was that the long-term security interests of its partners were tied to the development or preservation of robust economies and free pluralistic political institutions. At the same time, the need for an appropriate provision for the military aspects of security was also apparent, but it is interesting, indeed instructive, to note that the Marshall Plan preceded the formal inception of NATO. Some, like Robert Art, would go so far as to argue that "the prime reason NATO was formed was psychological, not military: to make the Europeans feel secure enough against the Soviets so that they would have the political will to rebuild

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<sup>2</sup>Itself the subject of numerous works, the basic theme of which is that arms buildups, because they tend to result in matching buildups by potential adversaries, do not in the long run lead to enhanced security.

themselves economically.”<sup>3</sup> The NATO alliance has been the evolving manifestation of the common comprehensive security concerns of its member nations—far more than simply an arrangement for collective military security.

This is an important point, not only for the politics of the Atlantic Alliance, but also for a more general understanding of comprehensive security concepts and their implications for the analysis and development of appropriate national strategies. Assessment of the requirements of the Cold War world led our nation, in cooperation with its NATO partners and other advanced industrialized states, to develop a strategy that heavily emphasized the military component of security. Our force posture was characterized by large strategic nuclear capabilities, significant amounts of tactical nuclear weapons deployed overseas, a large and immensely capable navy, a large standing army with heavy armored and mechanized forces forward deployed in Europe and South Korea, a powerful and multifaceted air force (also significantly forward deployed), and sufficient power projection capability to move forces worldwide with far more speed and flexibility than any other nation. These forces were *not needed*, in the quantities we fielded, to provide for *the purely physical or narrowly defined military security* of the United States during the Cold War, any more than they are now. They *were* needed for the assurance of stability and the preservation of friendly governments in Europe and Japan. These

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<sup>3</sup>Robert J. Art, “A Defensible Defense: American Grand Strategy After the Cold War,” *International Security* 15 (Spring, 1991), p. 34.

in turn contributed to a higher degree of "psychological comfort" and, through gains from trade, to a higher US standard of living.<sup>4</sup> Thus, the military forces on which we've expended significant resources were contributing to our security in more than just the purely military sense.

Underlying our strategy for assuring our comprehensive security and that of our allies was a wide and deep political consensus. This was more than just a general agreement or collective opinion<sup>5</sup> regarding generalized concepts and principles, like assuming the mantle of leadership in a world threatened by Communism. Agreement at this level of abstraction, as I will point out repeatedly in this work, is relatively easy to achieve. But it will not be so easy to achieve the political consensus referred to here. I call this an *actionable consensus*: its development goes to issues of implementation and the associated allocations of real and psychological resources. We had such a consensus, shared with our allies, to the effect that the Cold War strategy, the economic and political cooperation, the military alliance and force postures, comprised essentially the right approach. This consensus went deep enough to include support for real sacrifices in resource allocations—in other words, agreement that the long-term national interests involved were important enough to justify such sacrifices. There were, to be sure, a few dissenting opinions as to the fundamental correctness of this approach, but these opinions had little effect on either strategy or implementing programs and policies. There

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<sup>4</sup>Art. *op. cit.*, pp. 18-19.

<sup>5</sup>Dictionary definitions.

was more widespread debate concerning the proper way to manage the alliances, allocate the resources and burdens, and execute the military, economic, and political programs that would best implement the strategy. By and large, though, these debates took as given the underlying premise that the basic strategy was the correct one, and deserving of some significant allocations of national treasure.

Now, the foundations of that consensus are shifting. Gone is the NATO/Warsaw Pact confrontation; gone, for that matter, is the confrontational Communist superpower on whose containment we based four-plus decades of strategy. Rising in place of that old consensus, we have instead a growing perception that other nations have ridden free on our military and political coattails while enriching themselves economically at our expense. The American perception of the comprehensive security concept is all too often manifested in this way. We cite our past "preoccupation" with military forces and the security of our allies as the reason for our current economic and, for that matter, political troubles. We take ourselves to task for failing to realize that there is more to security than the physical and territorial security military forces provide.<sup>6</sup> And we do in fact have our share of problems. Burgeoning budget and trade deficits, low rates of savings and investment, a relative decline in the productivity of our work force, and failure to maintain adequate funding for the advancement of science and technology are frequently cited as both

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<sup>6</sup>It is doubtful the nation's past leadership was guilty of such a failure, irrespective of some of today's rhetoric.

symptoms and causes of an economic malaise. Our political cohesiveness is showing signs of strain as well. Many of our key allies are suffering these same symptoms of malaise, including the deterioration of consensus.

I began with the observation that nations all too often fail to assess accurately the risks and threats they face. The greatest risk our nation faces today is that it will find itself unable to replace the old consensus on comprehensive security strategy with a new one. We will certainly be able to agree in the abstract that our general national goals are good ones, but we risk losing our ability to muster the will and resources for the action necessary to achieve them. This would be an unnecessary tragedy, because if we develop and articulate them carefully, the basic tenets of the new consensus will be seen not to be radically different from those of the old one. Because of the changes that have taken place in the rest of the world, the policy and programmatic manifestations of the consensus and strategy will necessarily be different, but the basic underlying interests have not changed, campaign polemics notwithstanding. Our first great task in renewing or reshaping the necessary consensus, then, is to define our interests in terms that will provide a coherent basis for policies. Then we must identify the threats or risks we face in the achievement of our goals, which will give us good indications as to the programs and resource levels that will overcome the threats and hedge against the risks. From the beginning, we should recognize we are dealing in the political and economic realms, as well as in the military; both our consensus and our strategy should be formed with this understanding.

Success in this process does not require rigid and detailed specification of interests. On the contrary, our consensus should include allowance for continued adjustment and evolution. Some basic interests, like survival and economic vitality, are basically existential and easily agreed upon: even so, there can still be considerable debate over how best to achieve them. On the other hand, some of the more specifically defined interests we deal with depend not only on factors ingrained in the experience, aspirations, and ideology of the American people, but also on the external aspects of the situation at hand.<sup>7</sup> Thus, while it is impossible to put together in advance a completely detailed strategy consensus, it is both possible and necessary to establish the broad fundamentals of such a consensus and the basic interests that comprise it.

Militating against the formation of an actionable consensus is a form of political paralysis. Seymour Deitchman, for example, observes with some concern that we have a marked tendency to shy away from strategies and programs whose costs are evident in the short term (as they usually will be) and whose benefits accrue in the long run and are thus less certain or less measurable. He further notes the growth of a tendency to demand greater and greater degrees of detailed accountability for virtually any action taken, which has given rise to a legal and regulatory strait-jacketing of policy formulation. These trends, well noted by numerous other observers as well, can bring about a system that can inhibit or block

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<sup>7</sup>Donald E. Nuechterlein, *America Recommitted: United States National Interests in a Restructured World* (Lexington, KY, 1991), pp. 15-16.

almost anything, but which neither encourages nor approaches new innovations or policies.<sup>8</sup> But these are not simply obstacles against the formation of consensus. More importantly, they are symptoms that the old consensus is breaking down, or has already broken down; this gives more force to arguments that reconstruction of a national consensus is our most fundamentally important political task. A consensus for action, not just a widely held collective opinion that we should try to accomplish good things. It isn't that simple, nor is it simply a matter of generating political will and getting on with the task. The problem is that our system of safeguards against majority logrolling has come more and more to result in the obstruction of progress on national priorities. The safeguards are out of balance, I suspect, because we do not well enough understand what it takes to make progress in implementing our national goals, and are thus less inclined to subordinate secondary interests to them. This leads to what political analysts are fond of calling gridlock.

This work will investigate the development of another consensus deep enough to get us past the gridlock. I will start with the fundamental premises of comprehensive security and their application to the United States, and then analyze the internal and external risks that could thwart the achievement of our goals. From this foundation, I will make illustrative attempts to outline some of the ways and means by which we could implement a strategy to promote our interests in the changed world

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<sup>8</sup>Seymour J. Deitchman, *Beyond the Thaw: A New National Strategy* (Boulder, CO, 1991), pp. 37-38.

we face. The central point is that the development of a deep and broadly based consensus, for both goals and the ways and means to achieve them, must be our overriding concern. Beyond that, I am modestly hopeful that some of the logic contained herein might aid in the formation or articulation of such a consensus.



## **CHAPTER 1**

### **COMPREHENSIVE SECURITY AND THE NATIONAL INTEREST**

#### ***A BROADER VIEW OF SECURITY ISSUES***

The concept of comprehensive security rests on the premise that the long-term security of a nation and its citizens depends not only on military security, but also on safeguarding its economic and political well-being. Although economic and political factors are harder to define and measure, and thus harder to compare analytically than the military factors, they are at least equally important. In fact, as long as military security remains above some (also hard to define) minimum threshold, the other factors could easily be more important. Economic factors include the overall strength of the economy, the extent to which the fruits of economic activity are distributed equitably, the efficient functioning of a market system for pricing both inputs and outputs, the stability of economic trends, and environmental preservation. Political factors include a stable collection of pluralistic institutions for expressing the will of the people, a system that ensures the preservation of basic human freedoms, and a government that effectively responds to the needs of its people.

This more expanded view of what constitutes real security is once again gaining currency in commentary on national and international affairs. Thus, for example, we more frequently hear words to the effect that "the abatement of the threat posed by the now-dissolved Soviet Union, and the concomitant reduction of East-West tensions, makes economic and political issues more important than military security issues." This has become one of the defining cliches of our time, and has been duly reported, with characteristic historical perspective, by the media. It also takes form in more reasoned and scholarly discussions of security issues. One such extended listing of security concerns includes the following: growth of the drug trade, spread of international terrorism (and increases in its sophistication), environmental depredations like ozone depletion, acid rain, deforestation, and continued threats to endangered species.<sup>1</sup>

Although some items on the preceding list would be rather new additions, the comprehensive security concept itself has been around for a long time—arguably throughout modern history. Works in the fields of strategy, international relations, geopolitics, and the like continually refer to the concept, if not as frequently to the term. More than just an academic concept, it has also been clearly manifested in policies and programs such as the Marshall Plan, already mentioned. Another manifestation was the Truman Doctrine, which in 1947 announced the extension of American military and economic power—aid, influence, and, if

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<sup>1</sup>Nuechterlein, *op. cit.*, p. 9.

necessary. presence—outside the U.S. Enhancement of comprehensive security for other nations. in this instance, was seen as enhancing our own by containing Communism.

It is not my purpose here to evaluate the validity of including each item on a long list of specific concerns under the rubric of "security." My intent is merely to illustrate the overall validity of the idea that there is more to security than the purely military aspects of nuclear-tipped missiles, sophisticated warships, and tanks, artillery and mechanized forces. To the student of strategy and foreign affairs this is probably trivial. But since the concept and its implications will have to be part of the foundation for any consensus our nation is to put together regarding its strategic course, it is more than just trivial to the formation of that consensus. The degree of importance we attach to economic security, and even the way we define it, will bear on strategic choices. For example, we must decide whether protecting access to and availability of distant resources (oil comes to mind) is preferable to working towards complete economic self-sufficiency. The second path is probably the one that requires less in the way of capability to influence events elsewhere, by military or other means, but that does not *ipso facto* make it the right choice; with that choice most likely comes a lower standard of living. Either way, we will be making a strategic choice.

Similarly, choices we make regarding economic policies will bear on our ability to produce military hardware. Maintaining, let alone improving, our international trade position, and ultimately our standard of living, will

require that we continue technological advancement and enhance our industrial capacity in key technologies. Many of these turn out to be dual-use technologies, frequently critical "both in defending the territorial integrity of a nation and in maintaining its economic vitality."<sup>2</sup> Finally, it is worth noting that many observers feel the key strategic challenges we will face in the foreseeable future are likely to be economic. Thus, Samuel Huntington: "the one area of US weakness is economics, and the challenge in that area comes from Japan." He goes on to note that this challenge is becoming an obsessive concern, much as the Soviet Union once was in the military sphere, and for the same reason: a "major threat to primacy in a crucial arena of power."<sup>3</sup>

It should be pointed out that acceptance of the concept of comprehensive security is by no means universal. Robert Art, for example, recognizes the importance of pursuing both defense and non-defense strategic goals, as well as the importance of both military and non-military means in pursuing them. But he holds for a more narrow definition of security itself: protection of homeland from "attack, invasion, conquest, or destruction," i.e., physical protection. The problem with a more comprehensive view of the term, he argues, "is that it empties the concept of security of any meaning," whereas his more restricted definition provides "analytical clarity and policy utility."<sup>4</sup> Art's points, then, while an

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<sup>2</sup>U.S. Congress, Office of Technology Assessment, *Arming Our Allies: Cooperation and Competition in Defense and Technology* (Washington, 1990), p. 36.

<sup>3</sup>Samuel P. Huntington, "America's Changing Strategic Interests." *Survival* 33 (January/February, 1991), p. 8. His discussion of trends in relative economic power lends emphasis, pp. 8-11.

<sup>4</sup>Art, *op. cit.*, pp. 6-7.

argument against my use of the *term*, are nevertheless a recognition of the *concept's* validity: that a nation can and should have interests other than pure physical protection, that pursuit of these interests enhances national well-being (however vaguely defined that may be), and that pursuit of these interests is more than just a purely military matter.

Bernard Brodie raises a more telling objection: expansion of the definition of security invites injudicious use of military power. His point is that in this age of tremendously destructive modern weapons, having the power to provide legitimately for our essential territorial and physical security gives us, more or less by default, the power to influence events not directly or even closely connected with that essential security.<sup>5</sup> This, he argues, has led to an expanding concept of security with the following world view: "though we will not insist that the world around us be entirely to our liking, neither are we inclined to accept anything considerably worse than need be if our efforts can prevent it."<sup>6</sup> He then points out the spiralling tendency: the more broadly you define your concept of security, the more you pursue an active foreign policy—exerting influence, exercising leadership—which then requires a larger military establishment. This, then, I would take as an admonition concerning the pitfalls of defining security interests widely, rather than as a denial that security interests can or should be so defined. Keeping the pitfalls in mind is wise.

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<sup>5</sup>Bernard Brodie, *War and Politics* (New York, 1973), pp. 345-347. Senator William Fulbright made a similar point in his critique of "The Arrogance of Power."

<sup>6</sup>*Ibid.*, p. 347. The farther we push this logic towards its extreme, the closer we get to rampant interventionism.

but narrowing the concept of security risks narrowing our perspective on our interests.

While it has probably always been true that the comprehensive view of security is the more valid one, its validity is accentuated by the increased degree to which economic, political, and military considerations have become intertwined. Oil makes an interesting proxy for this evolution: long a strategic resource, it once was so because of its basically direct military utility, i.e., as a fuel for the machinery of war. Now, however, it is more important for its overall economic significance, i.e., again, as a fuel, but for the more generalized machinery of modern economies. Its strategic significance now lies in its potential for use to exert political or economic leverage. As this and other examples suggest, the increased interdependence among the various nations of the world, especially among advanced industrialized states, means that economic power, always a long-term determinant of overall power, now can exert considerable short-term influence as well. It also means that the preservation of free trade and open economies is becoming a more and more vital interest for nations all over the world.<sup>7</sup>

Thus, while it might not be surprising to find excellent historical examples of comprehensive security, today's best examples are probably also the best foundations for models for the future. By most measures, the

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<sup>7</sup>Art. *op. cit.*, p. 30. His argument, essentially, is that free trade and open economies promote greater efficiency and thus gains from trade and increased wealth. He is speaking of the U.S.; the argument clearly applies elsewhere, especially to our advanced industrialized trading partners.

world's industrialized democracies are reasonably well off in all areas of comprehensive security. This is not to say they couldn't perhaps do better, but merely to assert that compared with those of the emerging democracies of Central and Eastern Europe and most of the developing world, the comprehensive security postures of the nations of the Atlantic Alliance, and similar nations such as Japan, are very good. Not coincidentally, the policies of these nations reflect the principles of comprehensive security, striking a balance among the economic, political, and military aspects of power, recognizing the growing importance of trade and economic relationships, and reflecting an increasing awareness of the effect of environmental factors. How long this particular status quo will continue, if the rest of the world remains poor and the gap widens, is questionable. And if the gap continues to widen, then the military aspects of security will in all probability once again become more important.

The developing nations of the world enjoy a lower level of comprehensive security. The military security needs of many developing nations—perceived or actual—cause them to devote significant resources directly to the enhancement of their military capabilities. In some of the most unfortunate cases, this is done primarily to preserve the internal security of the existing (usually unpopular) political regime, but in many cases it is done as a not unreasonable response to growing external military threats. In either case, large investments in military power can contribute directly to security malaise among neighboring states, thereby fostering additional arms buildups. And also in either case, such a course steadily draws resources away from the economic and political elements of

security, particularly the former. By denying themselves the wherewithal to build stronger economies and to create the prosperity that might enable political liberalization as well, these nations perpetuate the conditions—deprivation, despair, resentment—most likely to give rise in the longer term to military conflict.

#### **COMPREHENSIVE SECURITY AND AMERICAN STRATEGIC GOALS**

The United States, along with its partners among the advanced industrialized democracies of the world, clearly faces a different security environment from the one we faced only a few years before. While the military situation has changed most rapidly, changes in the overall range of factors that bear on comprehensive security have been more evolutionary than revolutionary. This suggests we should see more change in our military strategy than in our overall strategy. Accordingly, our overall strategic goals and objectives for the 1990's are a reasonable replica of previous goals:<sup>8</sup>

- Survival of the United States as a free and independent nation;
- A robust and growing economy;
- Healthy, cooperative, and politically vigorous relations with allies and friendly nations; and
- A stable and secure world that allows for continued advancement of political and economic freedom.

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<sup>8</sup>George Bush, *National Security Strategy of the United States* (Washington, 1991), pp. 3-4.



Although one could build a case to the effect that sufficiency of military forces is required for achievement of any of these, it is clear by inspection that this set of strategic goals widely transcends what could properly be called a military strategy. This is, then, a statement of goals for a comprehensive security strategy.

These goals are echoed in the *National Military Strategy of the United States*, published by the Joint chiefs of Staff. Perhaps more to the point, they are repeated in similar form in a wide variety of sources less connected with the White House than are the JCS. For example, Nuechterlein:

- defense of the United States and its constitutional system
- enhancement of the nation's economic well being and promotion of US products abroad
- creation of a favorable world order (i.e., international security environment); and
- promotion abroad of US democratic values and the free market system.<sup>9</sup>

Similarly, Deitchman:

- protection and preservation of our security and prosperity;
- maintaining a broad network of friendly relations with other nations;
- maintaining freedom for commerce and trade
- oppose attempts at dominance of parts of the world by hostile governments or alliances<sup>10</sup>

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<sup>9</sup>Nuechterlein, *op. cit.*, p. 17.

<sup>10</sup>Deitchman, *op. cit.*, p. 95.

Art's construct is also basically the same, except that he adds environmental considerations, especially the arrest of global warming trends and the prevention of further ozone depletion.<sup>11</sup> Huntington offers a slightly different twist, concentrating on power and influence, and balances thereof:

- maintaining the United States as the premier global power, which in the coming decade means countering the Japanese economic challenge;
- preventing the emergence of a political-military hegemonic power in EurAsia; and
- protecting concrete American interests in the Third World, which are primarily in the Persian Gulf and Middle America.<sup>12</sup>

This last I would regard more as a list of implementing goals rather than overall goals: none of them matter in and of themselves, but they clearly matter insofar as their achievement helps to make possible one or more of the goals listed earlier.

To the above foundation I would add another objective: the avoidance of war. From some perspectives, this goal would supersede all others. This is not the perspective of this work; nevertheless, a fundamental part of our national consensus should be recognition that the destructiveness of modern warfare, even "conventional" or "low-intensity" war, makes its avoidance an important national goal. The avoidance of strategic nuclear

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<sup>11</sup>Art, *op. cit.*, p. 9. The previously mentioned sources all in one way or another allow that environmental concerns are fundamental to our well being. Art lists them specifically, while the others subsume them elsewhere.

<sup>12</sup>Huntington, *op. cit.*, p. 8.

war, of course, is a survival goal of the first order. This harkens back to Bernard Brodie's famous post-WWII observation, "Thus far the chief purpose of our military establishment has been to win wars. From now on its chief purpose must be to avert them. It can have almost no other useful purpose."<sup>13</sup> Since we have subsequently learned (again, for those who needed it) that a recognized ability to win has much to do with deterrence, I would offer this variant of Brodie's position:

--War and its manifestations are among the worst scourges we can inflict on ourselves.

--Therefore, it can be justified, if at all, only to protect vital interests; obviously, there can be significant debate on what constitutes a vital interest, but

--The avoidance of war is at least a vital interest, with the avoidance of nuclear war clearly a survival interest.

Therefore, we should continually concentrate on developing non-military as well as military means to achieve security objectives, including the avoidance of situations that could lead to war. This should be done, however, with a realistic perspective that acknowledges, among other things, that winning a war, once conflict is joined, is preferable to losing. Forces postured in accordance with this principle are more likely to succeed in deterrence, in addition to being able to produce a favorable outcome should deterrence and all other efforts fail to avert conflict.

#### **CATEGORIZING INTERESTS BY LEVEL OF IMPORTANCE**

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<sup>13</sup>Bernard Brodie, "Implications for Military Policy," *The Absolute Weapon: Atomic Power and World Order*, ed. Bernard Brodie (New York, 1946), p. 76.

The preceding suggests adding avoidance of war to our overall set of comprehensive security goals. At the same time it leaves open the possibility that wars may nevertheless have to be fought, and explicitly points out the utility of maintaining military forces capable of winning. Since I have thereby implied that some things will be worth risking war to preserve, while others will not, it will be useful to investigate categorization of our goals, objectives, and interests in terms of their relative level of importance. This can be done empirically, by looking through history to determine what interests were sufficiently "vital" to move peoples to war, and what interests were not. What we discover if we do so is that the theoretical construct, "a vital interest is an interest that a nation will go to war to protect," does not help much in the *ex post* identification of vital interests. History is littered with examples of nations going to war for reasons other than to protect vital interests. Thus, this approach is useful to consensus-building only if we're trying to build a consensus that mankind has sometimes resorted to warfare for some awfully capricious reasons. We should be able to stipulate to that, and get on with the more useful business of identifying levels of interest that will actually enable assignment of priorities and commitment of resources.

The first element of this part of the consensus must be recognition, as I pointed out above, that there will be certain interests that are sufficiently important to evoke the threat or actual use of military force or, alternatively, major expenditures of international political capital or goodwill. By now we should also surely recognize that not all of these interests will be of a narrowly defined military nature, and that we will

not necessarily use only, or even primarily, military means to secure them. For example—this will be discussed in more detail later—we have a huge political and economic stake in the security and stability of Europe, but it would be hard to build a plausible scenario growing out of there in which our purely military (i.e., physical and territorial) security is threatened.

With these observations in mind, let us look at Donald Nuechterlein's categorization of interests: survival, vital, major, and peripheral.<sup>14</sup> Survival interests clearly involve the protection of homeland from attack or destruction. Regarding vital interests, he says "a vital interest exists when a country's leadership believes that serious harm will come to the country if it fails to take dramatic action to change a dangerous course of events." Note the absence of a direct reference to war: the harm anticipated does not have to be physical or war-inflicted, and the response will not automatically be warlike. Although it is certainly possible, in Nuechterlein's view, that a nation would go to war to protect a vital interest, such a course is not inevitable. Furthermore, he carefully points out that the spectrum of military means parallels somewhat the spectrum of importance of interests: "the use of nuclear weapons and other weapons of massive destruction ... would not be authorized unless a survival interest is at stake."<sup>15</sup> The third level, major interests, consists of those interests that are important but not crucial to national well-being. These can be negotiated and compromised without threats of confrontation or

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<sup>14</sup>Nuechterlein, *op. cit.*, pp. 18-22.

<sup>15</sup>*Ibid.*, p. 20. Apropos of defining vital interests by intensity of response, he specifically holds that "a vital interest is not defined by the kind of policy actions" chosen in a crisis or dispute.

issuance of ultimatums. The nation would be willing to live with less than a satisfactory outcome in resolution of issues at this level of interest, presumably because the alternatives—confrontation, conflict—are worse. Peripheral interests are the last category: these consist of issues whose unfavorable resolution would not seriously endanger the well-being of a nation *per se*, although it might work to the detriment of private interests.

The toughest questions (and, thus, the greatest risks of failure) attend the handling of the boundary between major and vital interests. Survival interests are rather obvious, and misclassification at the major/peripheral boundary is not likely to result in irretrievable policy errors.<sup>16</sup> So it is over the classification of vital interests that we can expect to see the greatest amount of controversy, but it is also here that we must make the greatest progress in forming a national consensus. The crux is as simple to state as it is difficult to achieve: we must decide, *a priori* and in clearly articulated terms, what things fall in which of Nuechterlein's categories, or in some other appropriate ranking scheme. Failing this, we risk breaking the essential connection between political ends and the means by which they are achieved, a connection to which I will now turn.

#### *ASCENDANCY OF THE POLITICAL PROCESS*

Having just discussed at length the concept of viewing security in a more comprehensive sense, I now turn, to make a point about politics, to a reference to war and the employment of military forces: "War is an

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<sup>16</sup>*Ibid.*, pp. 27-28.

extension of politics by other means." This is arguably Clausewitz's most famous quote. *Vom Kriege* is obviously about war. But this particular quote is a *reference* to war; it isn't *about* war, it's about *politics*. This is also Clausewitz's most frequently misused quote. Mostly, it's misused by those who see it as a cynical statement about humankind's inability to resolve differences without resorting to war. Viewed as such, it's a gratuitous and sardonic critique of politicians, and Clausewitz doesn't appear to be given to saying things gratuitously. I see it more as an exhortation to make sure that if a war is going to be fought, it should be fought with a clear view as to the political objectives to be attained, and in such a way that the objectives will in fact be attained.

From that, it follows that we should develop our strategies and implementing policies, and array our resources, in accordance with national political objectives. This is not exactly a trivial point, since we haven't always gotten it right. A logical extension of this point is that what's true for the connection between war (and the attendant military strategies and force postures) and politics, is equally true for the manner in which we employ the other instruments of power. And if the ascendancy of the political process is a basic principle in the determination of strategy—goals, methods, and resource allocations—then the formation and maintenance of a political consensus is a fundamental imperative in the development and implementation of strategy. In a democracy, that consensus will depend substantially on the ability of the leadership to show relevance, to show a connection between the allocation of resources to accomplish a particular goal and the benefits that accrue from the

accomplishment. Otherwise, what consensus we do have will be in the abstract, empty of any real support for a particular program or policy. The following chapters look in somewhat more detail at connections between our interests and our policies and programs, and provide ideas on the key elements of the new consensus we need to form.



## CHAPTER 2

### A GLOBAL OVERVIEW OF AMERICAN COMPREHENSIVE SECURITY INTERESTS

#### *OUR STAKE IN THE WORLD ORDER*

Having looked at our broadly defined goals and objectives, it will be helpful to discuss briefly how they bear on our somewhat more specifically defined interests in our relationships with the rest of the world. First, a brief comment on the importance of our remaining involved with the rest of the world. There are, to be sure, some valid and forceful humanitarian arguments that favor continuation of an active role, but the self-interest argument is itself compelling. Americans seem to have a stronger grasp of the first, the altruistic features of our relations with the rest of the world, than of the self-interest aspects.<sup>1</sup> Thus, the following might characterize the attitude of a significant minority, if not a majority, of Americans towards security cooperation with our principal allies over the past four decades: we are expected to be the principal security guarantor, with minimum bearing of the resource burden by our allies, while these same

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<sup>1</sup>An endearing characteristic, but subject to differing national perceptions of what constitutes altruism and what constitutes self-interest. The self-interest bases of our foreign involvements are not exactly universally understood by Americans. For a sardonic critique that ably lays down both humanitarian and self-interest rationales for maintaining our commitment, in particular to foreign aid but in general to helping the rest of the world, see "What A Deal! Cut Foreign Aid," by Richard Feinberg and Peter Hakim, in *The Christian Science Monitor*, December 11, 1991, p. 18.

allies continue to exercise full freedom of action in both their domestic and international affairs. Looked at from one perspective, this is a description of the selfish and pernicious behavior of ungrateful recipients of American largesse, which leads easily to the conclusion that it's high time we stopped giving everyone else a free ride. Stripped of the hyperbole and viewed from another perspective, however, this is nothing more than a description of nations operating in their self-interest, which—usually stated less pejoratively—is a fundamental principle of relations among rational nation states, ours included. From this perspective, the question is not so much one of whether or not the United States has carried an unfairly large share of the burden as it is one of whether or not we can best achieve our own goals by eliminating the burden altogether. It seems reasonable to expect that our allies and trading partners are more likely to act in our interests if acting in cooperation with us than if they are left to act on their own; this is simply a logical derivative of the self-interest principle.

A basic element of the new national consensus we need to form will be our approach to relations with the rest of the world. It is self-defeating to attempt to define American interests, in any but the most general of terms, without considering them in that context. In particular, we must focus on our relations with those parts of the world that can have the most influence on our ability to achieve our overall goals. Much has been heard lately to the effect that with the Soviet Union/Warsaw Pact threat removed from our horizon, we need no longer pay so much attention to what happens to the rest of the world. It is a major premise of this work—as it should be a major underpinning of our new national consensus—that

this isolationist view is invalid. While the world poses far less in the way of immediate military threats, it is foolish to expect that the evolution of the world's economic order will work consistently with our interests if we are not actively involved, with as much influence as we can bring to bear, in the process. Thus, we find others suggesting, far more reasonably than the fringe isolationists, that with the shift in the relative importance of military and economic power, the United States should concentrate more on the latter. This point of view allows both for active promotion of our interests worldwide and for the devotion of significant attention and resources to revitalizing the domestic basis of our economic power. Making the right choices among the competing demands of these two general objectives will be one of the most significant challenges our nation faces for the foreseeable future. Facing this challenge without forming a workable consensus as to the relative importance of each means that at best we will somehow muddle through; at worst, we will flounder and fail.

The situation faced by our most important trading partners and allies is still in many ways roughly analogous to our own. Thus, it is not unreasonable to expect their perspectives, goals, and interests would also be similar to ours. This does not in any way imply they can be expected automatically to look out for our interests while we remain uninvolved, but it does give us a strong and continued basis for cooperation. We have for long shared common interests, goals, and objectives; differences of opinion regarding the means for achieving these objectives, while sometimes sharp, have consistently been resolved within the context of our fundamental commonality of interest, and have thus in a way

highlighted that commonality. In concert with these friends and allies around the world, we must develop a new and comprehensive strategy to deal with the changed environment. First steps towards the development of a new strategy have been taken in the Atlantic Alliance, for example, and are reflected in the statements coming out of the November, 1991 Rome Summit. In essence, the NATO Alliance will move from a strategy based on containment of a large monolithic military threat to one of dealing with the more ephemeral—and less catastrophically risky—threats of regional instability.

We should keep clearly in mind that while we share a major commonality of interest with our allies and trading partners, the interests are not identical. The nation with the most comprehensively global interests remains ours. It is both evident and logical, for example, that our European partners are focussed somewhat more on the need to deal with “local” instabilities, e.g., the situation in Yugoslavia, and possible threats elsewhere in Eastern Europe or in the Mediterranean Littoral. The Japanese outlook displays a similar regional focus. Nonetheless, all are to varying degrees cognizant of the need for our partnership, or a similar partnership of like-minded nations, to foster a stable world political and economic order.<sup>2</sup> The parallels between this outlook and the outlook of the United States are significant, but should by no means be surprising. Again

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<sup>2</sup>Although they are not yet members of the same economic group as our traditional partners, I would include here the successor states to the former Soviet Union and the emerging democracies of Eastern Europe. While all would appear to prefer that this be done under the auspices of a revitalized United Nations, most if not all agree that cooperation outside that framework may prove necessary in some cases.

drawing on the example of the Atlantic Alliance, where the patterns of cooperation are perhaps best founded, there is general recognition of the need—

- to be able to deal with less threatening, but more likely, outbreaks of instability both on the close periphery of the Alliance itself and farther away as well; and
- to sustain economic health among the partners, with improvements where necessary.

Perhaps most importantly, there is still a broad consensus among our allies that these two basic requirements are intertwined, that maintaining long-term economic health depends on being able to deal successfully with regional instability, even when it occurs "out of area."

Economic factors will play a heavy, if not dominant, role in comprehensive security for the United States and its most important trading partners, not to mention the rest of the industrialized world. For these factors to work in our favor, we must maintain stable trade relationships vis a vis one another. To a significant extent that will only grow over time, this is true for our relationships with nations in the developing world as well. And the goal of improved global economic stability will be far easier to achieve if these developing nations can be made more secure in the comprehensive senses of that term. Our comprehensive security and that of our partners, then, will depend more and more on the degree to which security and stability can be enhanced in the rest of the world.

The developing world offers huge opportunities for application of the principles of comprehensive security, confidence building, and risk reduction. While it is true that the United States and its partners will have to continue to devote resources to maintenance of their own economic strength, it is equally true that the maintenance of their current prosperity depends on both internal and external factors. Instability and accompanying threats to world trade clearly put economic security at risk, regardless of whether a particular crisis carries any direct military risks or not. Thus, we have an important and definable stake in the stability of the various regions of the developing world.

At the same time, it is politically and probably physically impossible for one nation, even one as powerful as the United States, to assume unilaterally the role of guarantor of the security of all the rest of the world. Even if it were possible to build a domestic consensus for such a role, the assumption of the role would, by the perception of arrogance it would create, doom our efforts to failure. Far better, then, to encourage adoption of measures that will enhance security elsewhere, without either the fact or the perception of unilateral imposition. This does not make irrelevant the potential or actual use of force, however; for the foreseeable future, security guarantees will need to be backed by the ability to apply force, including military force, to thwart aggression.

## **SAFEGUARDING OUR STAKE: PROMOTING NATIONAL INTERESTS**

Americans have had and will continue to have a long-standing and fundamental interest in maintaining a strategic power balance in the world. For decades, this interest was focussed on the threat of expanding Soviet hegemony. The fact that this threat has essentially receded means the United States can adjust those facets of its involvement, in both Europe and Asia, that were designed to contain Soviet power. It does not mean that the underlying interest—preventing the emergence of another hegemonic power with purposes inimical to ours—has faded away as well. In other words, while we no longer need preoccupy ourselves with counter-balancing Soviet power, we still need to concern ourselves with power vacuums and how they might happen to be filled. Samuel Huntington puts it a little more strongly: our challenge is to reduce our involvement “without producing the American absence from Europe that led to two world wars in the first half of the century.”<sup>3</sup> Although it is not by any means clear that a full “American absence from Europe” would again lead to a world war,<sup>4</sup> it is certainly a wise course to hedge against such an outcome. It is equally wise to engage in similar hedging elsewhere in the world. This is particularly so when the hedging can be made to work in favor of other important political and economic interests of ours and of our friends elsewhere; this point clearly transcends Europe to include our relations with Japan and the other emerging economic powers

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<sup>3</sup>Huntington, *op. cit.*, p. 12.

<sup>4</sup>Or that our presence would have prevented either of the first two, although this is certainly arguable.

in the Pacific. Huntington elaborates on the power balancing interest as follows:

- Promoting the emergence of politically viable successor states to the Soviet Union (he may, when he wrote the article, have meant a single successor, but the existence of multiple successors does not change *our* basic interest);
- Preventing the reimposition of hegemonic control in Eastern Europe (again, the breakup of the Soviet Union makes this less likely, but the interest remains nonetheless);
- Limiting German power;
- Fostering stability in Eastern Europe, encouraging the evolution of the emerging democracies there, and helping them to improve their economic viability;
- Encouraging the evolution of the European Community into a "looser, purely economic entity" (vice the stronger political union with integrated foreign policy envisioned by some in the EC);
- Preventing or limiting possible Chinese expansion by encouraging trends towards political pluralism and a market economy in China; and
- Continuing to restrain Japanese power in East Asia.<sup>5</sup>

There are two underlying threads of continuity tying the elements of this list together: overall interests in stability and in maintaining the credibility of our commitments. These two interests are themselves linked; stability is better achieved when our guarantees are perceived as valid, and the guarantees are easier to maintain under stable conditions. Thus, for example, we find Huntington arguing that we have key stability interests in Mexico, Central America, the Caribbean, and the northern tier

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<sup>5</sup>Huntington, *op. cit.*, p. 13.



of South America—areas where, because of “propinquity, security, demography, economics, and drugs,” serious instability or governmental collapse would be greatly adverse to our interests.<sup>6</sup> Similarly, we have a vital interest in preservation of access to the oil resources of the Middle East.<sup>7</sup> This is a major interest for the United States directly, but because of its importance to the economies of our trading partners, which in turn are important to us, Mideast oil becomes a derivative vital interest.

Stability and credibility considerations are clearly intertwined in our commitments to the various actors in the Middle East. Here, Huntington's view as to the basis for these commitments differs somewhat, although these differences would not yield up major policy differences. He seems to feel our guarantees to Israel (and also to South Korea, and the Philippines), while important in the past for reasons of Cold War competition, are now a matter of domestic politics and historical association. Art, on the other hand, cites both the historical association and the importance of maintaining credibility of commitments. He provides a particularly good discussion of the importance of continuing to extend security guarantees in the Middle East (and, again, in East Asia); this is a prime illustration of his

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<sup>6</sup>*Ibid.*, p. 14. He also points out now that ideological/political competition from the Soviet Union is no longer a factor, we are in a better position to deal with other areas solely on a basis of our own concrete interests.

<sup>7</sup>*Ibid.* The interest itself is universally recognized; there is more debate concerning its position among our priorities. Huntington calls it a “major” interest, although it is not by any means obvious where this would line up with Nuechterlein's scale. Art (p. 47) puts it third in a list of five, just below “protect U.S. homeland” and “preserve prosperity,” strongly implying it is a vital interest. Nuechterlein makes it a vital interest (p. 227) because of our economic dependence. If we reduced our dependence, then, the interest would presumably be less important—but Europe's dependence still makes it a “derivative vital interest” for us (p. 228).

point that political and military elements of power will serve us well in the pursuit of objectives other than those of his more narrowly defined concept of security.<sup>8</sup>

It would be possible to cite additional considerations more or less indefinitely; most if not all would illustrate ways in which we advance our own interests either by balancing power in some way or by fostering and encouraging stability, or frequently both. Traditionally this has meant the use of military (applied or as a deterrent) or political power, with of course a recognition that economic power is a key contributor to the others. Now, as discussed earlier, economic factors are more universally recognized elements of direct influence.

This brings us to a discussion of the international economic order. Preservation of that order is a vital interest for the United States, inasmuch as our own prosperity and standards of living are tied so inexorably to our ability to gain through trade with the rest of the world. Preservation<sup>9</sup> of free trade and free access to markets is by no means guaranteed. On the contrary, cessation of the Cold War may, among other things, have made the world safe for trade warfare. As is often the case in military warfare, both sides in trade warfare are likely to be worse off than they would have been had the conflict not been joined. If the political rhetoric currently being expressed in this country is any

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<sup>8</sup>*Ibid.*, pp. 14-15, and Art, *op. cit.*, pp. 44-50. Recall Art's definition of security is narrower, as discussed in Chapter 1, pp. 4-5.

<sup>9</sup>And expansion. Free trade and free access to markets are not ubiquitous within the current international economic system.

indication, the battle lines are already being drawn. How much this tendency towards protectionism and other forms of economic conflict puts the world economic order at risk depends in part on how stable that order is and in part on how committed we and other nations are to preserving it. We need, as part of the basis for consensus on these matters, an understanding of both these elements of risk.

Art brings out the relevance of historical lessons in this context.<sup>10</sup> He begins with the observation that the way to assess the resilience of an open economic order is to "gauge the resiliency of the interdependence that openness produced." But the presence of an economic order largely beneficent to its major participants did not prevent those selfsame participants from allowing nationalistic urges to override the preservation of that order in 1914; the results are well known. Some of the similarities are striking, but there are some key differences that can make preservation of the current order easier. For example, monetary systems are more closely interdependent; the European Community movement toward a unified currency highlights this point. Also, trade in the years leading up to the First World War, when free, was not as universal (at least not in today's proportions), and in general it wasn't as free, either. Much of the trade then took the form of raw materials being shipped from non-industrial nations—mainly colonies—to manufacturing nations, in exchange for manufactured goods.<sup>11</sup> Nowadays, more nations are participating, the

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<sup>10</sup>Art, *op. cit.*, pp. 36-38.

<sup>11</sup>Usually, I would add, at terms of trade hugely beneficial to the manufacturing nation.

shares are larger, and the most common form of trade is the exchange of goods and services among similar industrialized nations. Direct investment among industrial nations has also increased significantly and is relatively evenly distributed as among Western Europe, the U.S., and Japan; this further increases the stake any given country has in the viability of other nations' economies.<sup>12</sup>

These and other considerations notwithstanding, however, it is still possible that today's international economic system could be torn asunder—this time not by total war, perhaps, but by economic war instead—just as the earlier order was. And a key variable, again, is domestic consensus. It is difficult to arrange to enjoy all the advantages accruing from open economic systems and all the gains from trade, while simultaneously protecting the domestic population from the disadvantages of international business cycles, “unfair competition,” and the like. Thus, we face a major challenge in maintaining a consensus favoring free trade and eschewing protectionism, even though the avoidance of economic warfare is one of our most important interests. Fortunately, this is an interest we hold in common, particularly with our most important trading partners,<sup>13</sup> but in general with the rest of the world. All have a stake in helping others uphold a domestic consensus in favor of an open economic order.

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<sup>12</sup>To underscore this point, recall that the Japanese recently took some losses on US property they owned, because of the rollback in American real estate valuations. By all indications, these investors were not amused.

<sup>13</sup>We might note, as I did earlier, that they have similar problems regarding domestic consensus on this and other issues.

America's global interests can be summed up by recalling the power balancing issues typified by Huntington's list, the stability and credibility considerations suggested by that list and the discussion that followed it, and the importance of preserving an open economic order. There is a spectrum of policy approaches available for maintaining these long-term interests vis a vis the rest of the world. Three positions—points on the continuum—that characterize the spectrum are these:

- *Laissez faire*, which means in this context that we rely on whatever innate ability we have to react to changes in the rest of the world as they occur;
- Cooperation in efforts to enhance our own comprehensive security, and that of other nations as well, by strengthening their political and economic institutions and by reducing the military security risks they face; or
- Adoption of a more aggressive approach to imposition of order where needed, using political, economic, and possibly military force.

Building a consensus for the choice we make along that continuum requires, first and foremost, articulation of our long-term global interests along the lines outlined above. Even so, consensus will be impossible without developing a clear understanding of the conditions in the world that put these and other interests at risk, and of the policy and resource implications inherent in reducing these risks. Noting again that the ultimate risk to any of our interests is our own inability to agree on the importance of that interest and on how to achieve it, we turn now to an overview of the rest of the risks, which will then lead to a more detailed discussion of the means to deal with them.

## **CHAPTER 3**

### **WHAT CAN GO WRONG? MAJOR RISKS**

Before we can reasonably look at the elements of policies and programs that would achieve our comprehensive security goals, we must develop an understanding of the panoply of risks that could lead to failure in our efforts to achieve these objectives. If there is little or no risk that we will fail to achieve a particular objective, it makes little or no sense to devote any attention to alleviating the risk. This in theory is a trivial point, but in practice we do not always do a perfect job of assessing risks, nor do we always accurately allocate resources in accordance with assessed risks.

The difficulty is compounded by our tendency to want—demand, all too frequently—a firm connection between allocation of resources and tangible, short-term results, thereby diverting our attention from consideration of long-term risks and returns. For example, we are disappointed that a militarily brilliant operation in the Persian Gulf has not yet resulted in peace and tranquility throughout the Middle East. Americans are typically impatient with this sort of disparity in outcomes; we want results. We do not in general have any patience for the long-term, evolutionary nature of the process of achieving international political objectives. There is a real

risk that worthy objectives will not be supported because their achievement does not naturally and automatically ensue from the short-term application of influence, be it through military force or through conclusion of political or economic agreements.

Since ours is a system in which democratic political processes determine both our goals and the means by which we work to achieve them, it is just this sort of patience that will need to be encouraged in our body politic. Otherwise, we are unlikely to have any success in building consensus for a strategy to deal with longer-term, multi-faceted challenges like those that characterize the world today. As mentioned previously, the greatest long-term risk we face is the risk that we will prove unable to muster the political cohesiveness and determination to master these tough challenges. We have throughout our history proven able to do so,<sup>1</sup> but to a significant extent the challenges then were both more immediate and more visible than many of those we are likely to face in the foreseeable future.

One of our biggest tasks in the consensus-building process, then, will be developing characteristics that form the basis for consensus. These have been succinctly categorized for us by Seymour Deitchman, as follows:

- a well educated populace, willing and able to understand issues and support actions by their leadership, to include supporting the budgetary and resource allocation sacrifices needed to provide for our long-term comprehensive security;
- a political system capable of unity when required: one that provides room for open argument within its legal frameworks, but at the

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<sup>1</sup>E.g., the consensus for NATO and the Cold War strategy.

same time provides for sustainment of a policy course for long enough for it to bear fruit; and

- leadership that can display sufficient vision and imagination to articulate goals and objectives, develop workable solutions, and lead the nation into accepting and supporting these solutions.<sup>2</sup>

Other formulations of these characteristics are certainly available; all boil down to about the same thing. No nation, of course, will fully achieve these ideals, but they together comprise a useful standard against which to measure the political cohesiveness that forms an important part of our comprehensive security. Security is weakened to the extent we fall short of any or all of the three standards above.

Since the political process should drive all elements of our approach to comprehensive security, risk analysis starts here. Again, Deitchman: to start with, we are simply not producing the educated body politic we need as a basis for informed decision making. Further, we are less and less frequently producing truly informed and balanced decision makers. The key evidence he cites for these contentions is in the political process itself: the growth of factionalism and the increased tendency for ideology to take the upper hand in decision processes, at the expense of emphasis on a comprehensive view of the national interest in solving a particular problem. In addition, we display a growing tendency to allow short-term economic gain criteria to dominate decision processes that have long-term or economically intangible implications.<sup>3</sup> Environmental protection issues, for example, illustrate both these tendencies to confound problem-solving.

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<sup>2</sup>Deitchman, *op. cit.*, pp. 11-12.

<sup>3</sup>*Ibid.*, pp. 34-38. Recall the reference to "gridlock" in the introduction.



We've just about completely polarized this issue, with factions on both sides forcing themselves and the other side into positions where compromise is all but impossible. And this on a set of issues where economic theory, correctly applied, will usually yield up a happy medium. Several additional examples of these tendencies will surface when we discuss defense and economic issues in the chapters that follow.

The preceding does not exactly constitute a warning of impending doom; as noted, Americans have managed to pull together when the stakes get high enough. Nevertheless, it is worth remembering that as the world becomes more complex and multipolar, and the risks more diffuse, and the remaining visible risks more ephemeral, we run another risk: losing our ability to focus on our long-term interests and discern where and when the stakes have begun to rise again. For example, we do not seem to be greatly at risk in the military arena just now. No nation is capable of threatening our strategic nuclear deterrent, and no one would want to launch a conventional attack against our territory or threaten our survival, nuclear-armed as we are. We do face nuclear threats, to be sure, and these may well proliferate to rogue states, but threats to our territorial security and survival are as low as they've been since World War II. Likewise, we are probably safe from the threat of economic strangulation, at least, again, at the survival level.<sup>4</sup> While the cutoff of a key imported resource (oil comes again to mind) could hurt us badly, we could adjust to such a setback without our *survival* being threatened. What threats do remain

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<sup>4</sup>Art, *op. cit.*, p. 23. See also his discussion of nuclear "spread," which follows on pp. 24-30.

are smaller and do not seem at this point to be threats to vital interests. In other words, it is very difficult to set up an overall construct of identifiable and measurable military threats to vital interests that gives us a firm basis for posturing forces. By contrast, sizing against the massive threat posed by the Soviet Union and its Warsaw Pact allies, while more difficult in terms of the amount of resources required, was far simpler conceptually. And it provided the added advantage of ensuring we were more or less automatically postured to deal with smaller threats.

The difficulty of estimating and articulating current and potential threats to our interests does not excuse abandonment of efforts to try. Severing the connection between threat and force posture will simply further confuse the issue and make consensus more difficult to achieve. We still must have a rational basis for force programming, and part of that basis must be an assessment of the characteristics and capabilities of military forces that might put one or more of our major or vital interests at risk. This is true, still, because it is the existence of military threats that provides the fundamental basis for the programming of military forces. On the other hand, this does not mean we should expect or even strive for the same degree of specificity in threat analysis that we once could use when programming to meet Soviet/Warsaw Pact threats. It does mean we should make a realistic appraisal of scenarios that would typify circumstances under which we would use military forces, and make these sets of circumstances a part of our national consensus. Development of that consensus will be easier if our force postures are based on analysis

considering known risks and the need to hedge against development of unforeseen threats.

We earlier established that the avoidance of war is a major or even vital interest; the implication of that point for arguments here is that the risk of war itself is one that warrants serious hedging. This clearly means that we should seek, when at all possible *before* crises develop, to put in place policies and collective arrangements that will promote our interests peaceably. But since a war would be fought only to protect interests considered vital, it is also important to adopt strategies and posture forces in ways that will in fact advance and protect those interests, either peacefully *or* forcefully. Another way to put this is to say winning is better than losing, and winning fast is better than winning slowly. While it is true that it would be difficult to distinguish winners from losers in a global nuclear exchange, there is a large range of possible armed conflicts, including those that are the most likely to occur, in which it would be possible for one side to emerge a clear winner. Not better off than before (which reminds us the avoidance of war is a key interest), but better off than the other side. To make this point very clear, we should call this side the loser. There is also considerable evidence to the effect that the ability to win exerts a useful (as distinct from universal) deterrent effect, and that the ability to win quickly and decisively is a better deterrent. So if we are going to program, equip, and posture military forces at all, it's important to do so in a way that produces winners in those unfortunate scenarios where enough is at stake to cause us to employ them. To do otherwise is to break the ends/means connection, right from the very beginning.

The evolving national military strategy, as explained in the JCS document, *National Military Strategy of the United States*, provides the connection between our national goals and objectives as described in Chapter 1, and the military programs and policies that will achieve these objectives. This subset of the strategy formulation process does not of itself specify the details of force levels, types, and dispositions that will most efficiently accomplish the national objectives or their military subset. It does, however, provide an excellent picture of the ways national objectives translate into somewhat more specific guidelines for the programming of military forces, and as such forms another element of our consensus on comprehensive security. The elements of this strategy and the attendant risks will be discussed in some more detail in Chapter 4; my purpose here is to outline them only enough to enable their consideration in parallel with political and economic factors in the context of comprehensive security and the overall risks.

Our strategy recognizes first and foremost that, as mentioned above, strategic nuclear threats are significantly lower but have hardly vanished. Thus, the strategy calls for the continuation of *strategic nuclear deterrence and defense*, allowing for the possibility of continued reductions in the size of deterrent forces as additional arms agreements are pursued and reached. In response to the diffusion of lesser threats that characterizes the current world situation, the strategy specifies guidelines for a versatile array of forces capable of responding to regional contingencies. In the language of the *National Military Strategy*, this response capability is embodied both in the continued *forward presence* (albeit at reduced levels

of *deployment*) of American force capabilities outside the territorial United States, and in the posturing of a significant *crisis response* force, mostly arrayed within the U.S. Finally, the strategy rests on our continued capability for *reconstitution*, meaning the ability to put together larger forces should the world situation of the future call for such a resurgence.<sup>5</sup>

Considering the elements of our military strategy at this level of detail makes it possible to discuss the general nature of the risks that these objectives might not be achieved. This process parallels my effort in the preceding pages to outline the political risks. In my view, the risks attendant to the strategy outlined above are that we could:

- field the wrong types of forces, or the wrong quantities of the right types;
- find ourselves unable to place the forces where their power could be brought to bear in a timely manner;
- misread the elements of an ambiguous strategic warning;
- be surprised by a technological breakthrough in weaponry on the part of a potential adversary, sufficient to place us at a debilitating disadvantage; or
- fail to provide for the reconstitution and regeneration capabilities the strategy relies on in the event a new major threat arises.

Clearly, more detailed assessment of each of these general forms of risk must be done with an understanding of the military forces ours might be called upon to oppose, which is another way of reminding ourselves that we should base force posturing on threat analysis. Within that context, the

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<sup>5</sup>U.S. Joint Chiefs of Staff, *National Military Strategy of the United States* (Washington, 1992), pp. 1-8.

first two of the risks listed above refer most directly to the forward presence and crisis response elements of the strategy. The third applies across all elements, but bears more on the reconstitution/regeneration element, as do the last two. The longer-term risks are harder to define in terms of putative threats, but they are nonetheless real. Also, like the political risks, they all are subject to domestic political influences. Again, we come back to the overarching political risk: we can bring about the failure of a carefully developed national strategy by failing to engender a national consensus regarding that strategy and the allocation of resources to implement it.

The same holds true for the economic elements of our comprehensive security, for which the risks are even harder to define. To start with, there is no monolithic economic threat looming over the horizon getting ready to bury us.<sup>6</sup> While economic factors have gotten considerably more attention in the context of security than they once did, we are still far from developing a national consensus on how best to meet the economic challenges. We have encountered significant difficulty even in defining the magnitude of the challenges, let alone the order of priority for dealing with them. Here, then, is a clear case in which we can fail to notice the stakes are rising, and fail to act accordingly. Staying for the moment at a level of abstraction where we probably *can* achieve broad consensus, let us look briefly at the key economic elements of the *National Security Strategy*. These include—

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<sup>6</sup>It is interesting to note, however, that characterization of economic threats in this manner is more common now that the military threats no longer fit the description.

- promoting a prosperous U.S. economy: maintaining economic growth;
- ensuring access to foreign markets and resources;
- encouragement of a free and open international economic system; and
- achievement of cooperative international solutions to environmental problems.<sup>7</sup>

It is right below this level of abstraction that the consensus is obviously at risk. Again, as with the military component of the strategy, it is possible to discern key elements of risk for these objectives, and likewise a domestic political component for each risk. We can generally categorize the risks as follows:

- insufficient investment in production processes, research and development, and human capital to maintain our position in an increasingly efficient, technological, and competitive world economy;
- establishment of more barriers to free trade and consequent damage to the world economic order; and
- failure to engender adequate consideration for environmental problems.

We have little or no consensus as to how to hedge against or eliminate these risks even at this level of generality. While we agree we should invest more, we continue to follow fiscal policies that encourage consumer spending, fail to encourage capital formation, and produce huge budget deficits (another defining cliché of our time is the “hemorrhage of red ink coming out of Washington”), all of which work to depress investment spending. We decry deficits in trade and in the balance of payments, yet

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<sup>7</sup>*National Security Strategy*, pp. 19-22.

the policies just described encourage these as well. And the solutions we hear most often offered to "fix" our problems with the international economic system boil down to more protectionism, which invites retaliation and which basic economic theory suggests will lead to a relatively lower standard of living even in the absence of retaliation.

As if the ambiguity of our economic and military situations were not enough, we further confuse ourselves by using the process of allocating resources for our military security, e.g., the procurement of weapons systems and military materiel, to further the prosperity of various industries or geographical/political entities. The temptation to use defense programs in this manner is an interesting twist on our concept of the interdependence of economic and military factors in comprehensive security. The tendency has, if anything, intensified in the face of the drawdown of our military forces. Politicians who were far apart on the appropriate use of military force to deal with the tangible threat of Saddam Hussein's Iraq suddenly find themselves in complete agreement, for example, that the looming military threats of 2005 require the production of whatever military hardware happens to be getting built close to home.

This has always been a frustrating element of the defense resource allocation process; to be sure, it happens in other parts of the federal budget as well. It is especially troublesome, however, for its potential to confound efforts at consensus building in today's environment of shrinking defense budgets. The employment effects are quite significant: the



defense budget, on the orders of magnitude experienced in the late eighties, supported something between 7 and 8.5 million jobs; at the margin, the estimated employment value of a billion dollars in defense spending is about 25,000-35,000 jobs.<sup>8</sup> But we should recognize the employment consideration as secondary, subordinate to overall considerations of fielding the right amounts of the right types of military forces with as much economic efficiency as possible. Otherwise, local economic concerns become red herrings that get in the way of establishing national consensus for those forces and supporting expenditure levels that *are* necessary.

Thus, we come again to the crucial point on consensus: our comprehensive security position is endangered more than anything else by our own failure so far to put together sufficiently broad-based support for the implementation of a comprehensive strategy. This would be a serious flaw in any political system over the long term; the fact that we have a democratic system simply means things will unravel somewhat faster if we cannot rebuild our consensus. That rebuilding requires the foundations I drew earlier from Seymour Deitchman. Recall that an educated and informed populace was a key element, as was the ability to get that populace to support programs and policies whose returns would be less

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<sup>8</sup>Jacques Gansler, *Affording Defense* (Cambridge, MA, 1991), pp. 81-83. For an interesting excursion into this facet of our political process, see Helen Dewar's "With Cold War Won, Jobs Are Being Lost" in *The Washington Post*, February 14, 1992, p. A-1, or Eric Schmitt's "Congress Studying Ways to Ease Pain of Huge Pentagon Cutbacks" in *The New York Times*, same date, also p. A-1. The reader is invited to scour either article for a hint that there is supposed to be a logical connection from strategy, through assessment of risks and threats, to the fielding and equipping of forces to deal with them.

immediate, less tangible, and less focussed on a particular special interest. Following these lines more specifically in the next few chapters, I will attempt to show in some detail where and why we need to develop a better understanding of the real comprehensive security issues at stake. In keeping with my contention that the domestic political consensus is potentially our greatest long-term asset—and its disintegration our greatest long-term risk—I will dwell on those features of our military and economic strategies that pose the most significant challenges to the building and maintaining of that consensus.

## **CHAPTER 4**

### **HEDGING AGAINST RISK — MILITARY ASPECTS OF COMPREHENSIVE SECURITY**

#### ***FEATURES OF THE EVOLVING STRATEGIC ENVIRONMENT***

As discussed in general terms earlier in this paper, the monolithic military threat posed by the Soviet Union/Warsaw Pact combination made the force planning process much easier than does the current strategic milieu in which we must develop force programs and policies. While no one would rationally argue for a return to the old strategic environment, for the sake of analytical luxury or any other reason, it is worth remembering that a key ancillary benefit of the Cold War force programming process was that it more or less automatically guaranteed that we would field a force capable of dealing with contingencies smaller, but more likely, than the low-probability NATO-Warsaw Pact conflict. By contrast, in the post-Cold War era the smaller contingencies are no less likely, and we no longer can assume that a force posture designed for a particular contingency will be able to deal with other possibilities we haven't foreseen.<sup>1</sup> While the magnitude of the dangers has abated

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<sup>1</sup>This simplifies things a little. During the Cold War, we did not field all forces exclusively to deal with the Soviet/Warsaw Pact Threat. We in fact had forces that,

somewhat, hedging against future risks is a far more complex process than it was during the Cold War.

At the same time, the post-Cold War world may well be shedding some of its inhibitions regarding regional armed conflicts, or, as Samuel Huntington puts it, the world evolving now "is likely to lack the clarity and stability of the Cold War and to be a more jungle-like world of multiple dangers, hidden traps, unpleasant surprises, and moral ambiguities."<sup>2</sup> Martin van Creveld argues that this jungle-like world will be characterized by a higher incidence of low-intensity conflict and terrorism. In essence, his argument is that nuclear weapons have not only made nuclear war unthinkable; they have also made conventional war between nuclear states, or against/between allies of nuclear states, just about equally unthinkable. Thus, he goes on to argue, low-intensity conflict is the only type that doesn't carry with it a high incipient risk of suicide.<sup>3</sup> The Persian Gulf War makes an obvious counterpoint to this prediction, but the general point is still valid: the lethality of warfare at the high-intensity end of the spectrum makes lower-intensity warfare more likely.

Irrespective of what this trend has done for the relative likelihood of low- versus mid- or high-intensity conflict, the point remains that the end of the Cold War may have made many different types of warfare more

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while demonstrably useful in contingencies outside Europe, would have been of marginal value in a NATO conflict. A detailed discussion of all the ramifications of this would obscure the basic point, which is that force planning has become a more abstract business.

<sup>2</sup>Huntington, *op. cit.*, p. 7.

<sup>3</sup>Martin van Creveld, *The Transformation of War* (New York, 1991), pp. 10-22.

likely. The restraints once posed by the possibility of escalation to direct superpower confrontation have essentially been removed as the risk of that ultimate confrontation has receded. The Persian Gulf crisis recently highlighted for us the consequences of relaxing this form of limit on the activities of rogue elements among regional powers. While superpower restraints have never been perfectly effective, their relaxation is certainly not going to make armed conflict less likely.

Along with the reduction of superpower restraints on regional conflicts comes the following, from Eliot Cohen: "The fragile consensus of the neutralist bloc of the 1950's and 1960's has vanished, and with it some real inhibitions on the use of force to settle disputes." The emerging pattern is a familiar one to observers of international politics: "enduring suspicion and preparation for war, carefully nursed fears and resentments, a perpetual competition for potential allies, and a constant jockeying for marginal advantages." Cohen sees this as a world in which conflict in the foreseeable future will still be characterized by "mutual hostility of two states"; the involvement of states as opposed to political movements is key because states tend to draw in other states.<sup>4</sup> He was applying this characterization particularly to nations of the developing world, but it could easily apply elsewhere as well.

Moreover, the world has in it many states in which war and war-making leaders are far more acceptable than they are in the advanced

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<sup>4</sup>Eliot A. Cohen, "Distant Battles: Modern Warfare in the Third World," *International Security* 10 (Spring, 1986), pp. 146-147.

industrialized nations. These leaders use modern methods of state terror and repression to contain or eliminate opposition. They manipulate their military and political personnel systems (through promotions, nepotism, exploitation of ethnic rivalries, and the like) to consolidate and perpetuate their power. Thus unshackled by either international or domestic constraints, let alone moral ones, they are free to exploit their own ability to mobilize ethnic, nationalist, or religious fervor in support of military adventures.<sup>5</sup> Because of their capacity for staying in power using such means, containment (waiting for internal conflicts to bring down a regime) will frequently not be the best way of keeping such leaders from dragging a region into war. The potential for wars to be foisted on the rest of the world by leaders like these, controlling significant military capabilities, will be a defining characteristic of the world of the next few decades. Consequently, finding ways to restrain (preferably) such proclivities, or to roll back aggression when necessary, will clearly be in the interests of countries that have any stake at all in the potential conflict areas.

Both deterrence and removal of the root causes of conflict have a role to play here. By far the most preferable approach to avoiding regional conflicts is a combination of diplomatic/political, and frequently economic, programs to alleviate the root causes of conflict. The potential leverage in this kind of approach is huge, but it should be remembered that the conflicts in question have roots that go back decades; sometimes centuries. Moreover, the initiative for these potential wars still rests with the

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<sup>5</sup>*Ibid.*, pp. 166-169. Again, he was referring specifically to developing nations; again, the point applies elsewhere as well.

adventurist leader,<sup>6</sup> who may well find that a peaceful resolution is not in his own personal interest. There is, therefore, an appropriate role for deterrence in the prevention of regional conflict, and we should form the elements of our strategic consensus accordingly.

This just as clearly means fielding military forces that are fully capable of winning. In the past, it was arguable that confronting a potential adversary with a high probability of failure, i.e., making the size and risk of losses outweigh the potential gains, would be sufficient to deter aggression. While this seems to have been true in the deterrence of the most catastrophic conflict possibilities, history suggests deterrence based on that sort of sufficiency works precisely because the conflicts being deterred would in fact be catastrophic. The converse is that serious conflicts are less likely to be deterred. The Cold War period, which was characterized among other things by potentially catastrophic deterrent forces, also gave us numerous instances in which conflicts were not in fact deterred. While there may be many reasons for this—insufficiency of credible deterrent, disparities in assessment of vital interests—the fact is that not all potential conflicts can be deterred.<sup>7</sup>

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<sup>6</sup>*Ibid.*, pp. 148-150.

<sup>7</sup>See, for example, Don M. Snider and Gregory Grant, "The Future of Conventional Warfare and U.S. Military Strategy," *The Washington Quarterly*, Winter, 1992, p. 219. Here, they cite two studies indicating extended deterrence has worked about half the time, but has been considerably less successful in the Middle East. The studies are Paul Huth and Bruce Russett's "Deterrence Failure and Crisis Escalation," *International Studies Quarterly* 32 (March, 1988), pp. 29-45, and Janice Gross Stein's "The Wrong Strategy in the Right Place: The U.S. in the Persian Gulf," *International Security* 13 (Winter, 1988), pp. 142-167.

The existence of rogue or "crazy" states serves to underscore this point. Irrational behavior on the part of actors on the international stage is nothing particularly new. Nevertheless, we have trouble comprehending such behavior on the part of states, although we have grown willing enough to allow for the possibility of it on the part of individuals or smaller groups, i.e., terrorists. Thus, the Israelis were surprised in the 1973 Arab-Israeli War: "for the Israelis, the majority of whom perceive that there is no substitute for victory, there was little comprehension of a military offensive that *a priori* could not result in military victory. By projecting this different concept of instrumental rationality onto the Arab culture, the Israelis were unable to anticipate Egyptian behavior." They looked at things from the Egyptian perspective, but using their own concept of rationality; this led them to expect the Egyptians would not attack because they could not win.<sup>8</sup> The point here is not so much what constitutes rationality as it is what constitutes credible deterrence: denial of the potential for what we would consider a military success may not be a sufficient deterrent. The case of Saddam Hussein's Iraq is the best recent illustration. If his initial aggression was a surprise, his intransigence in the face of overwhelming military odds was an even greater surprise. In retrospect, he appears to have been undeterrable, or at least undeterrable

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<sup>8</sup>David Jablonsky, *Strategic Rationality is not Enough: Hitler and the Concept of Crazy States*, (Carlisle Barracks, PA, 1991), p. 6. He goes on to observe, cogently, that what one culture perceives as irrational behavior will be perfectly rational in another; full appreciation of perspectives on rationality requires that we "move beyond ethnocentric limits."



by any amount of power any other nation was willing to allocate in advance for the purpose of deterring him.<sup>9</sup>

The preceding does not by any means suggest that deterrence has completely lost its value as an element of military strategy. What it does suggest is that deterrent forces, and the willingness and ability to use them, must be carefully and fully advertised to potential aggressors. Understanding alternative frameworks of rationality will be important in this communication process. Even so, a second key implication is that deterrence, especially deterrence based on some sort of probabilistic (and unquantifiable) sufficiency determination, cannot be counted upon to prevent all the conflicts the future may hold. But it can certainly prevent some, and it can further discourage the accumulation or expansion of warmaking capabilities. Thus, our national consensus must include an appreciation of the value of appropriately postured deterrent forces, along with acceptance of the possibility that deterrence might fail. We must also understand that to the extent we plan for reliance on cooperative international efforts to deal on a case-by case basis with aggression, it becomes that much more difficult to establish the credibility of deterrence.<sup>10</sup> This is an argument both for posturing credible deterrent capabilities of our own and for establishing as much influence as possible

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<sup>9</sup>In Saddam's case, we're confronted with the additional challenge of determining where a different perspective on rationality leaves off and sheer stupidity takes over. In their outward manifestations, the two are indistinguishable at the margin.

<sup>10</sup>We should remember the Allied coalition in the Persian Gulf was established after the initial aggression by Saddam Hussein, and even then did not immediately present him with a military ultimatum, much less a credible force, that could carry out an ultimatum.

among our global and regional allies, thereby enhancing the credibility of collective arrangements.

Finally, we should agree that any deterrence, collective or unilateral, fades into insignificance if the military means to fight are not reasonably available. This, in essence, is an argument for fielding a force based on the destructive capabilities of those forces that might be arrayed against us, i.e., for programming forces based on possible military threats, and for maintaining the ability to deploy and employ those forces in a timely manner. This requires that we posture forces with high degrees of mobility at strategic, operational, and tactical levels: forces as light as possible, but capable of bringing overwhelming force to bear quickly and with precision. Such forces would be strong on intelligence collection, target acquisition, and command/control assets, and they simply must be backed up by adequate strategic lift capability.<sup>11</sup> To the extent we can establish multilateral agreements for dealing with regional aggression, and demonstrate in advance the solidarity of those agreements, so much the better; demonstrating our own commitment with capabilities as above should, as it has in the past, assist in this process. Failure to develop a strategy on this basis risks failure to be able to accomplish our comprehensive security goals. The fact that many of the interests are economic, not political or military, does not in any way reduce the need for appropriately arrayed military forces to deal with the military features of the world we are going to live in.

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<sup>11</sup>Deitchman, *op. cit.*, p. 128.

## MILITARY STRATEGY AND RISKS

Having looked at the politico/military strategic environment, I will now quickly review the preceding chapter's presentation of the essential elements of our military strategy, and then build upon that foundation to look in somewhat more detail at operating principles and implementing policies and programs. Again, the purpose here is not to evaluate the strategy *per se*, but to identify those essential points that are key to shaping and maintaining a national consensus to support the strategy. This consensus will depend on the importance our nation attaches not only to direct security enhancement but also to risk alleviation. Accordingly, I will devote considerable attention to the elements of risk, the ways the strategy hedges against those risks, and the ways in which failure to achieve consensus can confound the strategy, especially in the longer term.

First, recall the military strategy's four cornerstones are *strategic deterrence and defense, forward presence, crisis response, and reconstitution*. The strategy rests on—

- deterrence, and the ability to end conflict on terms favorable to the U.S. and allies if deterrence fails;
- countering threats short of armed conflict, including the threat of international terrorism and drug trafficking;
- contributing to stability through arms control, modernizing strategic deterrent capabilities, developing means for protection against limited ballistic missile strikes, and improving selected conventional capabilities as necessary;

- encouraging the growth of democracy in the successor republics of the Soviet Union, while simultaneously discouraging any attempts to develop military advantage;
- fostering restraint in weapons proliferation and global military spending;
- preventing transfer of militarily critical technologies, especially for weapons of mass destruction; and
- reducing the illicit drug traffic into the U.S.<sup>12</sup>

It is worth noting in passing that even among these largely military goals, there is not one whose accomplishment depends solely on the presence or use of military force. Moreover, while each of these goals will clearly enhance our security in the purely military sense, they contribute as well to the other elements of comprehensive security.

Recognizing the need to deal with this era of diffuse and ill defined threats, the United States is reconfiguring its conventional military posture to support a force projection capability for crisis response. The fundamental purpose of this military posture is to deter regional banditry by being able to deal with it successfully wherever and whenever it arises. The Persian Gulf case, as mentioned earlier, is instructive. In developing this aspect of our military strategy and the derivative force structures, basing arrangements, and employment plans, we have had to answer myriad complicated questions. These can be boiled down, with some risk of over-generalization, to two:

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<sup>12</sup>*National Security Strategy*, p. 3.

- *What strategy, force structure, and force disposition best provide the flexibility needed to deal with the risks posed not by an identified enemy with forces poised in definable ways, but posed instead by the nascent and frequently unspecified threats of regional instability, power imbalances, and Saddam-style adventurism?*

This gets at the problem of defining the requirements, whenever and wherever they arise, for the use of force; how these requirements lead to the decision to use force; and the actual capabilities to deploy, develop, and support the necessary combination of forces to defeat an aggressor. Answers to this question have clear, albeit somewhat general, implications for the characteristics of conventional forces and for the principles by which they are programmed, managed, and supported during peacetime.

- *How do we ensure the capabilities defined by answers to the first question, above, are sufficient to deal with possible contingencies in the mid- and long-term future, say, over the next two decades?*

This gets at the problem of providing a residual expansion capability to deal with a new or resurgent major threat. It also includes the problem of assuring that our technology and modernization programs continue to provide our forces with the edge needed to win decisively even when deployed over long distances and fighting outnumbered. Answers to this question will significantly affect modernization and procurement strategies, the management of the defense industrial base, and the degree of

reliance we place on reserve forces in being as opposed to relying on the ability to reconstitute larger forces from scratch.

Implicit in the preceding discussion are the general categories of military strategic risk. These I outlined in the previous chapter as follows:

- fielding the wrong types or amounts of force;
- inability to apply force where needed;
- misreading strategic warning;
- technological surprise: development of a breakthrough advance in weaponry by a potential adversary; and
- inadequate foundation for the reconstitution and regeneration capabilities that provide the hedge against a new major threat arising in the future.

The first two of these are clearly short-term as well as long-term risks, i.e., we could within the space of just a couple of years draw our military forces down to the point where they are insufficient to accomplish our strategic goals. We could also fail to employ correctly programmed forces in time to forestall a major conflict, either because of inability to move them or because of inability to recognize the need. Clearly, this risk grows larger as the time horizon expands, and the potential threats become accordingly more difficult to define. Thus, the third item on the list, misreading warnings, applies across the entire time spectrum. The last two items, obviously longer-term risks, recognize the possibility that we could read future warnings well but still adopt the wrong approaches to dealing with them.

I will use a discussion of the principles of our military strategy<sup>13</sup> as a means of describing and analyzing how we deal with each of the elements of risk, and then make some observations regarding the shaping of a consensus that will enable our nation to stay on the right course. The first strategic principle is that of decisive force: the ability to rapidly assemble the forces needed to win quickly and overwhelmingly. This grows from the more general principle I discussed earlier: if we are going to consider an issue worth the commitment of forces to combat, then it has to be important enough for us to want to win decisively. Bringing conflicts to an end quickly reduces the possibilities for an adversary to react. It also tends to reduce casualties on both sides. Furthermore, the ability to win overwhelmingly carries with it an ancillary deterrent effect: by denying an adversary the potential to prolong a conflict and expand its human and materiel costs, we take away the capability to capitalize on a possible loss of domestic political determination. Persuading the American people they want their military forces programmed in this manner would not seem to be an overly difficult part of the consensus-building process.

Flowing directly from this basic first principle are the principles of readiness, agility/flexibility, and power projection, which includes the maintenance of maritime and aerospace superiority. We have too many times in the past learned bitter lessons when we employed forces ill prepared for the tasks at hand. We need a force able to move quickly where needed with the right kinds of combat and supporting units.

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<sup>13</sup>These are contained in *National Military Strategy*, pp. 8-10. I have changed the order to match the elements of risk more closely.

properly trained, equipped, organized, led—a force fully ready to perform the missions assigned when called. The implied characteristics for forces in being, accordingly, are relatively straightforward:

- excellence in training for both individuals and units;
- trained and educated leaders
- an appropriate mix of combat and combat support capabilities to deal with the spectrum of possible contingencies, breakable into packages that can be put together quickly to form task forces designed to deal with the contingency as it arises;
- sustainment capability sufficient to last until more can be activated from reserves; and
- deployability.

The *National Military Strategy* lists in addition the following strategic principles: maritime and aerospace superiority, arms control, and collective security. The power projection value of maritime and aerospace superiority was cited just above. These factors contribute also to enhancement of our immediate territorial security, to our establishment of presence, and to the stability benefits that presence provides. Arms control, by reducing the size and sophistication—i.e., the destructive potential—of forces potentially arrayed against us or our interests, can directly enhance our own security and reduce the magnitude of our own force requirements. Credible collective security arrangements, to the extent they can be maintained in a multipolar world without a monolithic unifying threat, accomplish much the same thing by enhancing deterrence and reducing force requirements. In this regard, we should note that the



multiplicity of possible military contingencies the future holds means that many of our collective security arrangements will have to be put together *ad hoc*, as was the case with the Allied coalition in the Persian Gulf War.<sup>14</sup>

Again, none of the preceding points appear particularly difficult to make in defining a consensus. We should be able to stipulate in the abstract that these are sound principles that ought to be manifested in appropriate resource allocations. Questions as to what is the proper resource allocation, however, can easily frustrate attempts to build consensus even over short-run programs and policies. I will not attempt here to build the analytical case for a specific overall level of defense expenditures. Regarding that overall level, however, two observations are germane to analysis of consensus building. First, the Administration and the Congress are not that far apart on what the appropriate level is; the compromise is likely to be reasonable, and will accordingly enjoy reasonably widespread support. Second and more important, however, is the principle of allocating the right amounts of resources to the right programs for the right reasons. This principle has been with us forever, of course, but as the total amount of resources devoted to military forces drops, the margin for error of allocation of those resources *among* the various military functions gets tighter. If we're going to have a smaller force—as we should, consistent with the strategic environment—then we

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<sup>14</sup>Current collective security arrangements will continue to have significant value. Besides their innate value, they also lay the foundations for collective action outside their charters. NATO did not fight as NATO in the Persian Gulf conflict, but some of its members did, using NATO cooperative arrangements that vastly facilitated coordination of the war effort. Furthermore, our cooperation with some other members of the coalition was facilitated by previous contacts and joint activities.

have to pay ever more careful attention to the connection between ends and means.

One area where we run a risk of misallocating resources is strategic mobility. The *National Military Strategy* lists this as a supporting strategic capability: "The United States requires sufficient strategic mobility to rapidly deploy and sustain overwhelming combat power in any region where U.S. interests are threatened."<sup>15</sup> Stated more directly, a strategy that relies on crisis response through power projection is simply unexecutable if the power can't be projected. Another way of looking at this is to observe that we are looking for ways to secure our interests—which basically have not changed—by leveraging a smaller force. Strategic mobility is the leverage. It has three components: forward presence and forward deployed forces, prepositioned stocks of war materiel, and transportation. As forward deployments decline, the other two elements—always important—become more significant. Prepositioning works best when the crisis perpetrator obliges by fomenting the crisis close to the stocks of materiel.<sup>16</sup> Even then, prepositioned stocks put some demands on transportation capability. Any strategic mobility requirement not fulfilled by the first two elements constitutes additional demand for transportation assets.

With the foregoing established as foundation, the force buildup for Operations Desert Shield and Desert Storm is a useful case in point. It is

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<sup>15</sup>*National Military Strategy*, p. 24.

<sup>16</sup> Which points up the deterrent value of such stocks, as well as the importance of positioning them where our most important interests are at stake.

useful not only because of its current relevance, but also because this or a similar scenario is the most demanding we are likely to face in our crisis-response strategy.<sup>17</sup> During the decade prior to the Persian Gulf crisis, the Department of Defense put together four major studies designed to get at lift requirements and capabilities. All concluded additional sealift was needed to fulfill requirements in the scenarios studied, which included numerous angles on Persian Gulf scenarios similar in magnitude to the one actually played out. Analysis by Andrew E. Gibson and Commander Jacob L. Shuford, citing these studies and the Desert Shield experience, points to the same conclusion.<sup>18</sup> Particularly germane to risk assessment is their contention that the Desert Shield deployment and force buildup were conducted under rather benign conditions, including:

- near-universal international support for the coalition efforts, which assured availability of foreign-flag commercial shipping to supplement our own;
- large amounts of host-nation support, especially food and fuel, that reduced sealift requirements and compensated for "the inadequacy of the US tanker fleet;"
- excellent Saudi port facilities, which led to quicker turnarounds and thus also reduced aggregate demand for ships; and

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<sup>17</sup>More demanding scenarios are clearly possible, but dealing with them in all likelihood involves implementing the regeneration and reconstitution elements of the strategy, along with crisis response. Since these scenarios presumably include more warning time for force buildups, they are likely to be less demanding in terms of strategic lift than the no-notice scenario typified so graphically by Desert Shield/Desert Storm. Note that if this assumption is wrong, the case for strategic lift becomes stronger.

<sup>18</sup>Andrew E. Gibson and Commander Jacob L. Shuford, USN, "Desert Shield and Strategic Sealift," *Naval War College Review*, Vol XLIV, No 2 (Spring, 1991), pp. 6-19. The four studies were the Congressionally Mandated Mobility Study, the DoD Sealift Study, the Revised Intertheater Mobility Study, and the Commission on Merchant Marine and Defense.

•the ability to conduct the deployment and force buildup under non-combat conditions, so that lift shortfalls, especially the slow initial buildup of combat capability, did not lead to major difficulties in overall accomplishment of our objectives.<sup>19</sup>

Against this backdrop we should evaluate our current crisis response force capabilities, mindful of the value we attach to the contribution these forces make to deterrence. The credibility of such a deterrent, even a force of several combat divisions and air wings, fades to insignificance if it cannot be delivered. Thus, if we program what numerous analyses have found to be inadequate lift resources, we risk folding our hand on deterrence of regional conflicts. This in turn makes such conflicts both more likely and more costly, ultimately, to deal with. Reliance on leverage is risky business. A strategy that postures forces to hedge against risks in general clearly demands more resources to hedge against the risk posed by the mismatch between strategic lift requirements and capabilities.

A second way in which we risk misallocating our resources is the current proclivity, especially in the Congress, to try to maintain Reserve Component strengths at or near their current levels, while the active forces are being drawn down. This desire to rely more heavily on the Reserve Components grows out of the not unreasonable idea that they constitute a more efficient allocation of defense resources. The notion of efficiency derives, naturally enough, from the fact that reserves are maintained at lower levels of readiness, which clearly costs less for any given amount of forces.

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<sup>19</sup>*Ibid.*, p. 17.

Balancing the cost component of this perceived efficiency, however, is effectiveness. It is undeniable that Reserve and National Guard forces can provide significant backup capabilities, including combat reinforcement. These capabilities could even match those of an equivalent amount of active forces, provided sufficient time is available (and *used*—they have to mobilized) to bring reserve forces to a full state of readiness. The Reserve Components, then, are an efficient way of hedging against future major contingencies that provide adequate warning time. They are *not*, however, an efficient substitute for the active forces needed to implement a crisis response/power projection strategy, because this strategy requires response with short warning time.

Moreover, support capabilities in the Reserve Components do not make an efficient contribution to the national strategy if the active forces they are designed to support no longer exist. Having programmed for the elimination of Reserve and National Guard forces that fall into this category, the Defense Department is now under considerable pressure to retain them in the force structure. I suspect that since the contribution such forces will make to our strategy is arguably low, there are other than strategic reasons for the pressures to preserve them. Posturing forces for reasons other than their contribution of strategic value virtually guarantees the wrong force posture, which at its best will be wasteful.

The preceding discussion leaves out the significant value residing in the ability of reserve forces to elicit domestic political support for military operations. I do not mean to discount this, nor do I think it should be

cynically or casually exploited. It is a relevant consideration in making force posture decisions, and it is particularly germane in discussions centered on the importance of national consensus. What I am suggesting is that it is possible to put together a force structure that capitalizes on both the domestic support potential and the more direct military value of the reserve components. In practice, this will mean reliance on reserves to provide a greater share of directly transferable civilian skills: skills that are maintained in the individual's civilian occupation. Medical, some but surely not all kinds of maintenance, transportation, construction, and some materiel stockage/handling skills are examples. These and other kinds of support forces could be brought to full readiness fairly quickly—quickly enough to be an efficient reinforcement for early-deploying support units in our crisis response force. If, as I suspect, there is to be a compromise on this issue, the compromise should include reliance on capabilities along the lines suggested above.

Reserve Component support units with such capabilities could be earmarked for early participation in crisis response operations. They would have to adhere to more stringent readiness and availability standards, consistent with requirements to support a crisis response strategy. This also means a reworking of the laws, regulations, and administrative procedures associated with the mobilization of these forces. Again, to program forces on any other basis is to program for the wrong reasons; you can't get the right answer if you solve the wrong problem.

None of our efforts to program appropriate amounts and mixes of forces, and to build a consensus for doing it the right way, will amount to anything at all if we try to implement our strategy in the blind. As with many of my previous points, this is not a new idea, but we should note that it is relatively more important to the new strategy in the new strategic milieu: "crisis response" should perhaps be instead "crisis detection and response." A strategy that relies on crisis response depends also on the timely recognition of an impending crisis and collection of relevant information concerning the various facets of the crisis. The ability so to acquire intelligence, provided it is matched by an ability and willingness to act on it, can further leverage relatively small military forces. The longer-term elements of the strategy are at least equally demanding regarding intelligence capabilities: the ability to maintain technological superiority and the ability to reconstitute or regenerate forces in a timely fashion both depend on intelligence.

Our intelligence apparatus is operating at some significant disadvantages. First, it was designed and resourced primarily to keep track of the threats and capabilities posed by the Soviet Union and its allies, and only secondarily to monitor the rest of the world. Clearly, the focus must shift; at the same time, we cannot ignore the need to monitor the possible resurgence of threatening capabilities in or among the successor states of the Soviet Union. Second, the reputation of the intelligence community in general is suffering from allegations of slanting intelligence, hedging assessments to the point they have no decision value, and failures to detect the Iraqi invasion of Kuwait, not to mention the more

recently discovered Iraqi successes in concealing the extent of their work on nuclear weapons. The validity of these allegations is not the point; their existence is a major drawback at a time when we need more, not less intelligence capabilities.

Building a consensus for appropriate intelligence collection capabilities will not be easy under these circumstances. Saying the strategy depends on it is true but not particularly helpful. It will help to point out, somewhat more specifically, that since our strategy includes *serious* reduction of our ability to deal with large threats, we have to develop a greater capability to determine that a major threat is again emerging somewhere. It is crucial that we be able to identify such a threat in time for us to react by implementing the reconstitution and regeneration portions of our strategy. Accordingly, we must devote resources to the training and operation of intelligence agencies. Beyond this, Seymour Deitchman cites a need to give "prior attention to consensus-building mechanisms for high-level political leaders in how to interpret activities of other countries and cultures" and to develop "criteria by which to judge national behaviors that might constitute strategic warning"<sup>20</sup>—i.e., the simultaneous enhancement of our abilities to interpret and act on the intelligence our agencies collect. To this I would add development in advance of political will, within the public at large, through articulation of those threats to which we would, if necessary, respond with military force. Thus, we would build simultaneously a consensus that provides resources

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<sup>20</sup>Deitchman, *op. cit.*, pp. 101-102.



for intelligence collection and one that supports appropriate reaction to the intelligence we gather.<sup>21</sup>

Both these elements of consensus will be important to us. The ability to collect and interpret intelligence information will avail us little if we do not put it to good use, or if we have not provided ourselves with the capacity to put it to good use. Thus, we come to discussion of the last two military risk elements: technology and the capacity for reconstitution. Economic aspects of these somewhat related issues will be discussed more fully in the following chapter, which will then give way to a chapter on more general economic issues. Here, I will briefly cover their obvious military significance. First, the maintenance of technological superiority—another of the basic principles cited in the *National Military Strategy*<sup>22</sup>—is key both to warfighting and to the deterrence that is best manifested in warfighting capabilities. Examples of how technological superiority contributes to our ability to apply decisive military force are abundant; as with other parts of the strategy, building consensus at this level of generality is an easy proposition. To the extent it can be shown that technological superiority reduces the human and materiel costs of warfare, it essentially builds its own consensus.

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<sup>21</sup>See also Paula L. Scalingi, "U.S. Intelligence in an Age of Uncertainty: Refocusing to Meet the Challenge," in *The Washington Quarterly*, Winter, 1992., pp. 147-156, for supporting analysis and discussion. In particular, her treatment of "Key Requirements" (pp. 151-153) and "Economic Issues" (p. 153) are germane to the issue here.

<sup>22</sup>*National Military Strategy*, p. 10.

Nevertheless, we must explicitly recognize that we face increasing technological risks as time goes on, and continue to maintain support for dealing with them. The key lesson developing countries learned from the Persian Gulf War may well have been that they should acquire as much sophisticated weaponry as they can, not to mention weapons of mass destruction.<sup>23</sup> Clearly we should pursue other means than just military to reduce or hedge against this risk, but it should be easy to establish that one of the best hedges is to maintain our own technological lead. At the same time, sound management in an era of severe resource constraints demands that while we must nurture and continually progress in our *capability* to produce advanced military systems, we should actually go to the expense of fielding these systems only when they will be needed to maintain (or, more urgently, regain) combat superiority.<sup>24</sup>

Finally, the fifth element of risk: our ability to reconstitute and regenerate. As observed in the discussion of intelligence and interpreting warnings, a fundamentally important element of consensus on this issue will be development of an understanding in advance of those strategic circumstances that would cause us to begin taking steps to reconstitute. Beyond this, we must also ensure the requisite capacity is available. In

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<sup>23</sup>But see Eliot Cohen's discussion of developing nations and sophisticated weapons. *Op. cit.*, pp. 159-160. His point, in this context, is that rogue states are dangerous enough without sophisticated weaponry. Agreed. But they would be substantially more so when armed with technological matches for our weapons.

<sup>24</sup>On this point, the *National Military Strategy*, (p. 25) has, "... full-scale production may not always follow prototyping. We need to protect the capability to produce the world's most technologically advanced weapons systems, but only if required." This further serves to highlight the importance of intelligence collection and interpretation.

any conceivable force expansion scenario, it takes longer to prepare the military materiel than it does to mobilize and train the people. Reconstitution and regeneration will largely depend, then, on resolution of defense industrial base issues, discussed more fully in the next chapter. They will also depend, though, on the stockpiling of critical materials, the sustainment of well developed leadership in all elements of our military forces, and—as above—continued investment in research and development. To the extent retention of industrial capacity and support of research and development contribute to our general economic prosperity, these activities will enjoy a self-generating consensus, not to mention constituency. As will be shown, this is both an asset and a liability in efforts to build a consensus for our approach to comprehensive security.

## **CHAPTER 5**

### **TECHNOLOGY, MODERNIZATION, AND DEFENSE INDUSTRIES: LOCAL ECONOMICS OR COMPREHENSIVE SECURITY?**

#### ***RESTRUCTURING MILITARY PRODUCTION CAPABILITIES: FIRST PRINCIPLES***

With the downsizing of our military forces, the capabilities of our nation to provide for its future military security will depend relatively more on our ability to reconstitute or regenerate military forces in response to the growth of now unforeseen threats. At the same time, the effectiveness of both today's and tomorrow's military forces will continue to depend on our ability to equip them with weapons and supporting systems. Ideally, we should look for our economy's defense production apparatus to meet both of these needs by—

- efficient production of quality military hardware;
- capability to expand production in the event of a crisis; and
- continued development of more advanced systems and the processes for making such systems.

These are logical outgrowths of the strategic principles of reconstitution and technological superiority discussed in the last chapter. As such, it should be relatively easy to establish a consensus to the effect that these

are worthwhile goals to pursue. The risks of failure can be generalized to two: First, the direct risk to military effectiveness: inability of our production processes to equip our forces with the materiel needed to maintain deterrence and to win decisively if deterrence fails. The second risk is to our long-term economic well being: it is possible that in providing for today's and tomorrow's forces, we can unnecessarily drain resources from other economic enterprises.

Unfortunately the three goals listed just above, while not mutually exclusive, are not totally complementary, either. There is virtually automatic tension, for example, between the dictates of pure efficiency, which would cause a firm to size for one production rate, and the desirability of maintaining a surge production capability, which would lead to what in normal times would be inefficient sizing—excess capacity. Also, production or improvement of today's hardware competes with the devotion of resources to the development of tomorrow's. As noted earlier, production of today's hardware tends to generate its own local constituency, which does not necessarily contribute to the development and sustainment of a national consensus. A certain amount of tension among the three goals is probably a healthy way of bringing about an appropriate balance. But the foundation of consensus on this issue should be that national strategy requirements are the primary criterion for determining the features of this balance. As stated before, use of any other criterion, while it may cause us to do some of the right things, will probably not cause us to do the right amounts of the right things.

The local domestic and political implications of this criterion are not pretty, especially as the economy struggles its way out of a recession. High levels of current defense production, and thus employment, are simply not consistent with the new strategy. That strategy calls for smaller current forces to deal with smaller current threats and risks, and relies on our ability to deal with future threats by continuing technological advances and by regenerating larger forces if needed. Recognizing this in principle, which isn't hard, many nevertheless argue for continued production of a particular item on the grounds that this will keep open a production line needed to support the regeneration component of the strategy. This sometimes valid argument will be discussed in some detail below; here, I would point out that those who offer this argument frequently assume too credulously that this is the best way of providing a needed regeneration capability. Why? Because keeping a production line open serves other purposes besides that of promoting our future military capabilities. Forming the defense production elements of a national strategic consensus will be possible only if we recognize that defense needs, derived from our national strategy, must determine defense production and defense industrial capacity. This includes accepting the defense industrial implications of our strategy: less current production, and thus less current employment.<sup>1</sup>

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<sup>1</sup>For cases in point, the reader is invited to review any of a number of the defense procurement battles currently being fought out in Washington and in editorial pages around the country. Note that in general the importance of a particular piece of hardware to the national strategy seems to depend inversely on the geographical distance between the commentator and the plant where the hardware is built.

## **MODERNIZATION AND TECHNOLOGICAL SUPERIORITY**

Nations modernize their military forces to enhance their effectiveness in combat: their survivability, flexibility, mobility, and lethality. The entire purpose of modernization programs should be directed towards those ends, with ancillary benefits treated as just that. The United States in particular, but largely in common with its industrially sophisticated allies, has long emphasized the development of technologically advanced battlefield systems, and this investment has paid off. Our past development programs have in general resulted in the fielding of new systems representing major advances over the old systems they replaced—advances “that far exceeded the ratio of their costs,” and that would not have been achievable through evolutionary processes such as product improvements and the like.<sup>2</sup> The Desert Storm experience tends to bear out this observation.

It is important to realize the determining factors in the military success of Operation Desert Storm. The presence of modern systems, while a major contributing factor, was not the sole factor. Had it been the sole factor, it might well have proven insufficient to bring about that success. The real key to success was our ability to leverage the advantages these systems provided: putting them in the hands of high-quality young men and women, well trained and well led, employing a doctrine that capitalized on the high quality of both the people and the equipment. Successful

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<sup>2</sup>Deitchman, *op. cit.*, p. 202. Note this was published before the value of military modernization programs was underscored by the successes of Operation Desert Storm.

modernization is made up of all these elements, and combined with them leads to battlefield success. Unbalanced emphasis on modernization at the expense of one or more of the other factors is to be avoided.

Balancing resource allocations among current and future systems is also important. The systems that helped us win in the Persian Gulf War were available because of research and development decisions made a decade or more (in some cases two or more) earlier. By striking the resource balance between current production and R&D appropriately in times past, we saw to the equipping both of our forces then and of our current forces. Continuing this trend of successful modernization requires the same balanced approach as it did then. Failure to devote sufficient resources to research and development of tomorrow's systems shortchanges tomorrow's young men and women just as surely as we would shortchange today's by taking away the systems they have now. We must continue to try to achieve the same technological edge for future forces as the forces of today enjoy.

So far, we have not uncovered anything that would give us major difficulty in building a consensus for this part of a national strategy. Not coincidentally, we have also so far been talking in the abstract about "balanced" resource allocation: how we simultaneously keep essential overmatching capabilities in the hands of today's forces while we invest sufficiently in the development of future systems. How to determine the balance? Consideration of current threats is useful, as is consideration of the current opportunities to use alternative means—arms control, force



reductions like those under the CFE agreements, and the like—for reducing threats and military risks. These and similar features of today's world suggest the incentives for short-term technological enhancements of weapons systems are lower.<sup>3</sup> We can thus afford to forego some current production of military hardware and thereby conserve scarce resources for investment in research and development.

The preceding logic leads to two principles which, used together, will help to achieve resource balance between the conflicting demands of current production and future development.<sup>4</sup> The first principle is that we must provide today's forces with the warfighting capability to defeat decisively the systems and forces that could be fielded against them. Our strategy, doctrine, and force programs—and thus, our military security—are based on this. But the second principle should be that we can afford to spend no more than is needed to accomplish the first: we should limit current production to just that level. The same logic also applies to product improvements. In this way, we free up resources for investment in research and development.

We should note here that providing capabilities needed to fight and win does not always mean providing the most advanced systems that could be fielded. Interpreted so simplistically, that worthwhile principle would lead to resourcing and fielding any and all improvements more or

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<sup>3</sup>Office of Technology Assessment, *Arming our Allies*, pp. 3-4. A good discussion of this and related points.

<sup>4</sup>That they conflict is in my view indisputable. Even if they didn't show up in the same part of military budgets (i.e., Research, Development, and Acquisition) they would still be claims on the same pool of financial resources.

less for their own sake, which would seriously tip the balance away from research and development programs. Rather, it means providing systems that, fielded in organizations with good training and good leadership, will lead to the decisive defeat of any potential opponent. Viewed in this way, application of the principles allows for the possibility that other factors of force quality can in the short run substitute for the fielding of the latest, up-to-the-minute technological advances. Placing ourselves on a more gentle—but still upward-sloping—trajectory for fielding increased sophistication can lead to significant cost savings while still preserving technological superiority.<sup>5</sup> These savings should be applied to the research and development that will make possible fielding more sophisticated systems in the future.

In keeping with the arguments presented above, we should search more vigorously for technological advances likely to provide major, operationally significant advantages or similarly significant advances in quality or cost. In other words, shift the emphasis more to aggressive R&D programs pointed towards “breakthrough” technologies.<sup>6</sup> This means we will have to resist the natural tendency to go with improvements we know we can make to existing systems or their follow-ons, and instead use funds to push the limits of technology in the laboratories and on the proving grounds. It also means, as an easy but by no means well recognized

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<sup>5</sup>For a more complete discussion of this point, see Gansler, *op. cit.*, pp. 228-230, in which he makes the point that we can gain in future capabilities at any given expenditure level, by applying this principle. This is *not* the same as the trade-off between a few expensive systems and lots of less expensive ones.

<sup>6</sup>*Ibid.*, pp. 234-235.

corollary, that we will need to engender a higher institutional tolerance for failure. Taking account of the possibilities of failure—understanding and limiting risks—is an important feature of a healthy R&D program. Absolute avoidance of risks is a feature of an unhealthy one. Yet the current political and public opinion climate encourages—demands is not too strong in some cases—excessive caution. Another useful element of the consensus I am proposing, then, would be recognition that some R&D failures should be accepted, and conversely, that a program with no failures may not be innovative enough.

While it is certainly true that we should carefully husband defense resources to ensure adequate funding for research and development, it is also true that we can make the R&D process and systems more efficient, reducing the demand for funding input at any given level of R&D output. Encouragement of innovation can help here, especially if we look for innovations in production processes as well as in end products. This process will itself be easier if we also shift our emphasis to the beginning of the R&D cycle, and work on components, materials, and subsystems (i.e., inputs).<sup>7</sup> Thus, we can have several firms or laboratories developing different approaches. The competition won't hurt, but the key advantage is the increased range of alternatives available early in development, reducing the risk that development could follow the wrong path.

Both the preceding suggestions become easier to implement if we modify defense institutions, especially those that interface directly with

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<sup>7</sup>*Ibid.*, p. 235.

R&D efforts, to provide for encouragement and protection of fledgling efforts to pursue non-traditional technologies. The system must also provide for these non-traditional technologies, when successfully developed, to be integrated back into the mainstream R&D programs. And all R&D (this clearly is more than just a defense issue) becomes more innovative, more productive, more efficient if we as a nation place more emphasis on the development of human resources. For defense economic and general economic reasons, we have to produce more of the scientists and engineers that are so crucial to the success of long-term efforts to continue our record of technological advances. We need to increase educational resources, and incentives for entry into the field, at both high school and university levels, and also within industry. We further need to pay more attention to retraining programs (again, this has clear non-defense, as well as defense conversion, implications). As technology advances, specific skills may become obsolete, but the holder of these skills, especially if given a good educational foundation in the first place, is fully capable of more advanced work after retraining.<sup>8</sup>

It would also make sense for us to be more systematic about encouraging the development of dual-use technologies. This idea has application as well in discussion of defense industrial base and general economic issues. It is relevant here inasmuch as there is potential for significant leverage: small amounts of government encouragement could in some cases result in dual-use technological breakthroughs worth many

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<sup>8</sup>*Ibid.*, pp. 236-237.

times the value of the initial incentive. Other nations have found this to be profitable, again not solely for defense reasons. Some comparative figures may be useful; consider for example, these percentages of government R&D spending devoted to industrial development of dual-use technologies: France, 11.7, Germany 11.6, Japan, 6.1, UK 8.5, US, .2.<sup>9</sup> Although these figures are from 1986, the order-of-magnitude difference is at least suggestive of the relative levels of attention paid in this area. More cooperation between government and industry in this area would be worthwhile.

Some counterarguments are worthy of mention here. The first is that maintaining the technological edge we need to support our national strategy requires that we maintain a level of investment in R&D over and above that which simple profit incentives would bring about in non-defense fields. That is, supporting commercial development of dual-use technologies will not in and of itself give us the technological edge we will need. To the extent that this is true, as it almost certainly is, it is an argument only for avoiding total reliance on development of dual-use technologies. Another reason, equally powerful, for avoiding such total reliance is that dual-use technologies, by their very nature, are commercially available—to adversaries as well as friends. This could easily be a prescription for guaranteeing the erosion of any technological edge our forces have or might acquire.<sup>10</sup> Nevertheless, prudent encouragement

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<sup>9</sup>*Ibid.*, p. 275.

<sup>10</sup>Both of these arguments, and related considerations, are laid out in some detail in *Arming our Allies*, p. 23.

and use of dual-use technologies has significant potential for expanding defense technology alternatives and for increasing the overall efficiency of the development process.

The approaches I have covered to this point would contribute to defense modernization programs primarily through emphasis on R&D. Some of these ideas would surely prove beneficial to the defense production base as well, but it should be remembered that the theme so far has been technological advancement, sometimes at the expense of current production. There are also some possibilities for enhancing both R&D and the production base. The first of these is collaboration with allied defense R&D and production efforts. In an age of shrinking defense production, the long-term viability of at least some sectors of the defense industry may depend on this and the ensuing economies of scale. It also enables the sharing of technology and the spreading of development costs, with benefits accruing in terms of more development alternatives being investigated. And collaboration naturally builds stronger security ties.<sup>11</sup> A disadvantage is that we might become too dependent on another nation for a key military system; we could also wind up with key secrets leaking to third parties. But, as with the dual-use technology arguments, these are arguments for circumspection, not avoidance.

Less ambiguous in terms of advantages and disadvantages is the practice of integrating system development and design with manufacturing. This practice, especially if combined with the use of

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<sup>11</sup>*Ibid.*, p. 21.

computer-aided design and computer-aided manufacturing, should result in reductions in development time, with accordingly less uncertainty, as well as cost savings in development, production, and transition to the next generation. To be most effective, the integration has to be done early in the design process, with the design continually taking into account producibility and maintainability.<sup>12</sup> As a corollary, work on development of production processes should be continually focussed on searching for breakthroughs on those facets of the system that most contribute to production cost. Thus, as pointed out earlier, we should place considerably more emphasis on the enhancement of production technology as well as on the technology of end products. As a side benefit, this will also contribute to the development and preservation of key production capabilities.

#### ***PRESERVING THE INDUSTRIAL BASE: ON WHAT GROUNDS?***

Much has been made of the "steady erosion" of the U.S. defense industrial base; again, this is not a particularly new issue. Also not new is the fact that we have so far not begun to come to grips with the issue in any systematic way (i.e., by dealing with it as a national policy issue). For example, after the better part of a decade's worth of consideration of this issue, Senator Alan Dixon still found "a steady, unchecked erosion of the defense industrial base...; despite the uniformly adverse findings contained in the reports [on studies of the issue] the United States still lacks a coherent industrial base policy that is directly linked to national security

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<sup>12</sup>Gansler, *op. cit.*, p. 231.

strategy."<sup>13</sup> That was four years ago; since then, not much has changed regarding either industrial base policy or the long-term need for a viable (albeit smaller, perhaps) defense production capability. What has changed is that free market processes, operating on their own absent a national policy, are now even less able to provide strong enough incentives for industrial base preservation. The point is being driven home as we shift to a strategy and force posture that place significantly less demand on current defense production capabilities. This is a general characteristic of the world defense industrial base: capacity well exceeds demand, and demand is falling.

To the extent this is a manifestation of peace breaking out, it is obviously very good news. Some of the ways in which it is not good news, however, are germane to discussions of comprehensive security. Our strategy contains as one of its crucial elements the ability to regenerate and reconstitute a more robust military capability if we find ourselves facing a new global threat some time in the future. That fundamental piece of our strategy fails if the requisite industrial capability is not preserved; it is this consideration that will be dealt with in the remainder of this chapter. We must be careful, however, that in rushing to preserve needed military industrial capacity we do not preserve unneeded capacity as well. Because it is so easy to develop other than military rationales for government involvement in the industrial base, we should again stress this

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<sup>13</sup>Senator Alan Dixon in "Defense Industrial Base Preservation Act of 1988," draft of March 19, 1988, submitted to the Senate as S1892, p. 2. Cited by Gansler in *Affording Defense*, p. 282.



fundamental principle: programs and policies designed to influence the structure and efficiency of defense industries should have as their primary criterion the military utility, current or future, of those industries. We should agree as a nation to operate on this principle, which will enable us to invest only in that military production capacity that is truly needed, thereby freeing more resources for growth in other parts of the economy. The following chapter will deal with the elements of consensus needed to support more general long-term economic policies.

With the military utility criterion established, or reestablished, we should briefly review the three ideal capabilities of our defense industry specified at the beginning of this chapter. We expect the industry to provide for—

- efficient production of quality military hardware;
- capability to expand production in the event of a crisis; and
- continued development of more advanced systems and the processes for making such systems.

Here, we will focus on the second capability, noting that we should naturally favor sizing for pure efficiency except for the fact that sizing on that basis frequently restricts the capability to expand production in a timely manner. Thus, the next questions to be resolved in arriving at a consensus on the defense production base are how much of an expansion capability is needed, and how fast the expansion needs to be brought about. Now our strategy, supported by much reasonable analysis of the world strategic milieu, assumes significantly longer warning time for the

regeneration of larger military capabilities. Thus, a reasonable defense industrial posture would call for relatively less surge production capability for the immediate future, coupled with continued development of more advanced systems and more advanced (read: rapid, efficient) production processes. This amounts to capitalizing on longer warning time by conserving resources today, when they are not needed, and providing relatively more for the future. The wisdom of this course lies in the fact that future contingencies are outside the range of today's warning time.

The above arguments are not meant to suggest a cavalier approach to current industrial base issues; they merely call for viewing expansion capabilities in the right perspective so we preserve the right ones and not the wrong ones. Expansibility of our forces is an element of our strategy in both direct and indirect ways: the capability to regenerate is a stabilizing factor in current deliberations over force sizing, including international negotiations over comparative force requirements.<sup>14</sup> Surge and regeneration capabilities are also, by an easy extension of this logic, fundamental contributions to deterrence—both of actual conflict and of future arms races.

On the other hand, we should also remember that our surge capability has historically never been huge; it took us three years to reach peak aircraft and bomb production, among other things, in World War II. The time period is now longer in many cases, because the systems to be

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<sup>14</sup>Gansler, *op. cit.*, pp. 264-265.

produced are more complex.<sup>15</sup> That helps put into perspective the right approach to planning capacity for expanded production: the time to expand production and field the additional hardware should be less than the warning time, with some appropriate allowance for hedging against failure to detect the warning.<sup>16</sup> Analysis and ensuing policies will have to include a comprehensive search for possible production bottlenecks, and capacity to produce such constraining (pacing) parts or subsystems will have to be provided for.<sup>17</sup> Any capacity beyond this is in fact truly excess, and these resources would clearly be better devoted to some other cause, especially R&D.

Our nation and its leaders are far from a clear consensus on the preceding points. On the one hand, constituencies in defense industry districts are naturally more concerned about payrolls and jobs than about the connection between a particular firm's capacity and the national strategy; this view finds ample expression in statements by political leaders and by the media. This constituency is not going to be amused by the prospects of more efficient sizing of industrial capacity, or by the obsolescence of the local plant and its replacement by more efficient processes elsewhere. Likewise they will be less than sanguine about our devotion of a relatively larger share of resources to technological innovation, especially when such innovation takes place elsewhere and speeds the obsolescence of the local firm. Simultaneously, larger

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<sup>15</sup>*Ibid.*, p. 264.

<sup>16</sup>See also the discussion of intelligence collection and interpretation capabilities in Chapter 4, pp. 63-65.

<sup>17</sup>Gansler, *op. cit.*, p. 265.

corporations are likely to apply pressure for increased international cooperation in defense production, which will guarantee them maximum latitude to put together the most lucrative arrangements possible. They also press for relaxation of technology transfer restrictions, even when liberalization is neither in our military nor in our overall economic interest. Smaller defense firms simultaneously lobby against such trends, which generally spell a loss of business for them.<sup>18</sup>

Faced with such conflicting pressures, it would be tempting to follow a *laissez-faire* path, allowing these forces to sort themselves out through healthy competitive processes. If in fact healthy competitive processes were available to do the sorting, this would not be a bad idea. Gansler argues the opposite point of view: the "free-market myth has historically been one of the primary causes of the problems of the American defense industry." The myth is that free-market forces will naturally cause the system to produce desired outputs efficiently. But a market characterized by a monopsonistic buyer and frequently only one or two prime contractor sellers, unfortunately, does not fit the Adam Smith pin-factory analogy of free-market competition.<sup>19</sup>

Further characterizing the defense industry as lacking incentives to invest in more efficient production processes, Gansler goes on to point out that prime contractor firms face "a weakening market ..., difficulty of borrowing, considerable excess capacity, low cash generation, high (and

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<sup>18</sup>*Arming our Allies*, pp. 30-31.

<sup>19</sup>Gansler, *op. cit.*, pp. 243-244.

growing) risks, old production equipment, too little capital investment, relatively low productivity, mixed quality, and rapidly rising prices.”<sup>20</sup> Regarding incentives in this environment, he elaborates by observing that the defense industry enjoys lower profits than those achievable in “comparable” (i.e., commensurate capitalization and risk) civilian endeavors, and that this problem is compounded by the tendency for both Congress and executive branch acquisition managers to try to attack the profits of defense firms. In this context, he offers that the public interest is best served by lower total cost for a given level of defense preparedness, which is not automatically the same thing as lower profits for the producers of defense hardware.<sup>21</sup> A consistent theme throughout these observations and arguments<sup>22</sup> is that our firms will respond to the incentives they face, whether these incentives come out of truly free market processes or not.

While we should hope for free market forces to bring about desired efficiency and regeneration capability in our defense industries, it does not make sense to count on this, especially in the face of evidence that it is not happening. We face conflicting pressures from both the inside and outside of the defense industry, and we have no automatic mechanism (like an invisible hand) for ensuring the pressures will counterbalance one another and lead to a satisfactory outcome. If neither domestic politics nor free-market economics are going to give us the solution that accords best with

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<sup>20</sup>*Ibid.*, p. 256.

<sup>21</sup>*Ibid.*, pp. 251-253.

<sup>22</sup>And throughout Gansler's work in general.

our comprehensive security interests, perhaps a return to first principles will. Again, the military utility standard: defense industry production demands and structuring issues should be settled using contribution to national strategy as a criterion. To the extent market mechanisms cause this to happen they should be allowed to operate; to the extent these mechanisms fail they should be supplemented by a systematic approach, with the overall comprehensive security criterion in mind.

A general operating principle that will keep defense industrial policy on the right track is the following: the government should use the leverage provided by its position as the monopsonistic buyer to cause markets for military hardware to operate as though they were competitive in those cases where they are not. More specifically, this means that the government should work to provide economic incentives for efficiency, responsiveness, and innovation. Where necessary, government will also have to encourage growth or retention of capabilities to expand production to support regeneration. The opposite side of this coin is also important: in those cases where the markets are truly free and competitive, the government should stay out, sit back and enjoy the results. A necessary early step in development of a viable defense industrial policy will be dividing the various sectors of the industry into categories based on the degree and type of government intervention needed to produce the right incentives.<sup>23</sup>

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<sup>23</sup>Gansler's more complete discussion of this and related points may be found on pp. 282-286 of *Affording Defense*.

One obvious implication of the preceding discussions is that military product markets that don't need intervention are preferable to those that do. It then follows naturally that the government should help to form as many competitive markets as possible within the defense industry and then, again, sit back and enjoy the results. Currently, however, the compendium of government policies, regulations, laws, and audit procedures makes it virtually mandatory for a company to "organize itself to do nothing but defense work, and do it in ways that are not cost-effective in the civilian sector." This limits economies of scale and other efficiencies, and makes the firms more dependent on defense business and more vulnerable to its cycles.<sup>24</sup> In other words, the effect of our current system is to make markets less competitive and firms less able to compete. By contrast, a system that encourages more integration of defense and civil manufacturing will remove some of these pitfalls, making it possible for defense firms to operate more efficiently<sup>25</sup> and also opening opportunities for the technology benefits discussed in the preceding section.<sup>26</sup> In sum, the more we can integrate the two generally disparate elements of our production base, the more we can accrue the automatic benefits of competitive markets and the less government management will be needed.

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<sup>24</sup>*Arming Our Allies*, p. 29. Numerous other sources make the same point. In response to the observation that some firms are major players in both commercial and military markets (Boeing is one obvious example), these sources are essentially unanimous in pointing out that such firms have erected nearly impermeable barriers between the two facets of their enterprises.

<sup>25</sup>*Ibid.*, pp. 32-33.

<sup>26</sup>For an interesting and well-reasoned set of examples bearing out this logic, cf Gansler, *op. cit.*, pp. 277-278.

This will not completely solve the problem, however, and part of our consensus-building should be recognition that less cumbersome government management does not mean no government management. There will be cases in which we need to preserve a particular industrial capability and in which only systematic government intervention will cause that to happen. In these cases, the approach most frequently advocated is the continuation of production from a current line, or the use of that line to retrofit product improvements, to retain production capacity that may be needed in the future. This amounts to producing something not particularly needed<sup>27</sup> for the sake of preserving the production capability, which frequently includes scarce and hard-to-train worker skills. This approach will certainly work and may in a few cases be the best approach, but it should be the approach of last resort.

Before we commit funds to the preservation of currently unneeded production capacity, we must carefully analyze alternatives. We should first determine whether the production capability will in fact even be needed in the future. We may be developing a system that requires an entirely different production system and technology. Alternatively, we may be able to develop a new production process for the current system or its follow-on. Second, we should determine whether the requisite production capability will be preserved in commercial production

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<sup>27</sup>Or not needed at all. One major argument for foreign military sales programs and other forms of security assistance is that we can get something in return for keeping production lines open. This is especially helpful if we would have had to keep the line open for residual capacity purposes—in essence, this way we get something for nothing. Unfortunately (in this context) the foreign sales market is going to be thinner as well. In the broader context, that is not unfortunate at all.



processes, *independent of any government demand or encouragement.* Here is a clear-cut case where free-market forces will work. This would especially be true in many of the secondary and lower tiers of defense subcontractors where parts and components are produced; the electronics, avionics, and optics fields come readily to mind.

Defense production processes that get past both of these screens should in fact be preserved, and the only remaining question would be whether to preserve them hot or cold. But until we have analyzed our production capabilities in the preceding manner, we will have no guarantee that we are on the right track. Instead, we will have numerous and largely uncoordinated efforts to shore up selected firms or industries, and we will invite the use of the wrong criteria for undertaking such efforts: a situation not at all unlike the one we have today.

#### ***HARD CHOICES: DEFENSE ECONOMICS IN ECONOMIC HARD TIMES***

The issues discussed in this chapter pose some of the toughest challenges in consensus-building, a natural outgrowth of the rather obvious fact that these are significant pocketbook issues. Nevertheless, they are issues that will have to be confronted. We will do better with them if, as stressed above, we confront them standing on the common ground that contribution to comprehensive security is the right overall criterion for evaluating them. It will also help if we agree that we do not have to solve the problem alone. Some amount of cooperation with other

countries, judiciously arranged, can help us achieve better efficiency. Operating from these premises, we can then establish:

- which defense burdens will be distributed;
- how, how much, and what kind of industrial capacity should comprise the domestic defense production base; and
- how much cooperation (co-production or joint construction and maintaining of industrial capacity) is consistent with our own comprehensive security.<sup>28</sup>

It is of course far easier to do nothing about this issue than it is to form the kinds of agreements discussed above and build a base of political support for them. But the hard fact is that the current strategic situation, and the strategy we are developing to match it, is going to lead inevitably to a restructuring of the defense industrial base here and elsewhere. So the choice is not whether to restructure, but how. It will either be done systematically, with national security interests at the forefront (i.e., using the comprehensive security criterion), or it will get done bit by bit by corporate planners acting in the private business interests of their individual firms, probably teaming with local constituencies to exert political influence for the same purpose. To the extent these interests accord with our comprehensive security objectives, there is little risk in the process. But there is no guarantee that these interests will line up, and every reason to suspect that they won't. The best strategy for the defense industrial base includes some government measures to encourage the restructuring and revitalization of those components that will contribute in

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<sup>28</sup>*Arming Our Allies*, p. 10.

the future, while simultaneously assisting the transition to lower levels of production.<sup>29</sup> The latter includes recognizing that some firms will not survive, and acting to reduce the human costs of that part of the transition.

Finally, we should note that much of what has been said so far about defense technology and industrial issues can be generalized to our economy as a whole, the topic of the next chapter. In fact, the viability of our economy is tied to some extent to the viability of defense firms. This is an uncomfortable position to be in when the defense industry is going to be downsizing; we face and will continue to face huge temptations to keep defense firms producing more hardware than our security requires.<sup>30</sup> We have, however, a basis for consensus, and that is the comprehensive security strategy itself. In the long run, using defense production to preserve economic vitality (read: jobs) puts that very economic vitality at risk. Economic vitality and revitalization are not defense issues, and they are not amenable to defense economic solutions. On the other hand, some of the things we must do to ensure our economic security will bring with them benefits for military technology and the defense industrial base.

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<sup>29</sup>*Ibid.*, pp. 31-33.

<sup>30</sup>Consider, for example, the debate over the Seawolf submarine, a weapons system that appears to have attracted some unusual supporters. An interesting case study in strategy formulation.

## CHAPTER 6

### THE ECONOMIC CHALLENGE: COMPREHENSIVE SECURITY STARTS AT HOME

#### *A REVIEW OF OUR ECONOMIC SITUATION*

We have so far been talking about military security, strategy, and the economics of defense resource allocation; to the extent we have discussed the overall domestic economy it has been in connection with the economy's ability to provide for military preparedness. By any reasonable measure, then, the resources we've discussed so far amount to less than 6% of our nation's yearly output of goods and services.<sup>1</sup> The rest is comprised of other government purchases of goods and services (at all levels of government),<sup>2</sup> averaging 13% over the period 1987-1991, and the workings of the private economy (81%). From this perspective, it is easy to see the persuasiveness of arguments that economics has at least as much to do with comprehensive security as does defense. Numbers like these

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<sup>1</sup>Averaged over 1987-1991. Defense spending (in constant 1987 dollars) was at an all-time high in 1987. This percentage will obviously decline as defense restructuring and budget cuts are reflected in future statistics. *Economic Report of the President, 1992* (Washington, 1992), Tables B-1 and B-2.

<sup>2</sup>As distinct from transfer payments. These figures are net of transfers. Government budgets are larger than what these figures imply because a good deal of what governments take in is simply transferred, through entitlement programs and the like, from the provider of funds (taxpayer or bond purchaser) to the recipient. No purchase of goods or services takes place until they are purchased (if at all) by the recipient.

make it obvious that economic health would be essential to our comprehensive security even if it wasn't a key factor in determining military power.

The preceding points are wholly consistent with the current statement of our national strategy, which reasserts "the critical link between the strength and flexibility of the U.S. economy and our ability to achieve national objectives." Citing the importance of a robust economy not only as an objective in and of itself, but also as a "prerequisite for maintaining a position of global political leadership," the *National Security Strategy* goes on to describe an economic strategy keyed to the following objectives:

- strength of the domestic economy;
- maintaining global economic growth;
- reducing trade imbalances;
- better control over technology transfer;
- stability in energy markets; and
- appropriate measures to deal with environmental concerns.<sup>3</sup>

While this is an agenda that of itself cannot help but receive widespread support, the various means by which each of these worthy objectives should be achieved are the subject of considerable debate. For example, it has been argued that reductions in military spending, made possible by global reductions in tensions, should free up the necessary resources. On the opposite side, it is argued that we should not (or can not)

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<sup>3</sup>*National Security Strategy of the United States*, pp. 19-22.

reduce military spending sufficiently to make available the amount of resources necessary to restore our competitive position vis a vis our major trading partners, let alone accomplish other economic and environmental goals. The ongoing debate regarding free trade and fair trade practices is inexorably linked to this issue. Will we restore competitiveness in actual substance through policies designed to preserve or increase the openness of the international economic system? Or will we attempt to restore the illusion of competitiveness through the use of restrictive protectionist measures of our own?

The economic reorientation required of the United States will absorb more than a peace dividend, regardless of the size of that dividend. Simply put, it doesn't help us much to argue about getting another \$20-30 billion (even on a per-year basis) out of defense spending when our economic problems require significantly larger reallocations of resources. Or, as Robert Hormats puts it, "the critical problem for the United States is not the roughly five percent of GNP that it spends on defense," but rather, "failure ... to use the other 95 percent ... with maximum efficiency."<sup>4</sup> This is provable even if one looks only at estimates of what it will take to achieve acceptable productivity growth rates, simultaneously controlling inflation and thus restoring competitiveness. If one adds to these the considerable cost of achieving the growth objectives while also providing for environmental sustainment and protection, the task becomes more

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<sup>4</sup>Robert D. Hormats, "The Roots of American Power," *Foreign Affairs* (Summer, 1991) p. 137. He also notes the percentage is coming down in any case.

challenging still. Yet this is what we tell ourselves we have to set about doing.

We are right in telling ourselves so, but not in telling ourselves that turning our backs on the rest of the world will help us accomplish our goals. While we may still be one of the few nations of the world that could be economically self-sufficient, we would be so at a significantly lower standard of living. While this is clearly not in our economic self-interest, it is equally inimical to our overall strategic self-interest, given the relative increase in the importance of economic strength in the world power structure. Thus, the question is not whether we must sustain our economic strengths and improve upon our weaknesses, but how best to do so. As we look at these issues, it will be important to remember that our long-term economic interests are inexorably tied to the evolving economic structure of the rest of the world, and to its comprehensive security posture as well.

#### ***ECONOMIC RISKS TO COMPREHENSIVE SECURITY***

In the interests of maintaining perspective, it is worth remembering earlier observations that the importance of economic factors is not new. What is new, or at least becoming more significant, is the growth of trends, domestic and international, that pose dangers to our long-term economic viability. Particularly in an election year, there is a tendency to attribute these trends to inimical forces outside our borders, and it is certainly true that no other nation in the world wants more than we do to see American interests upheld. There are in fact real challenges to our power and

influence in the world, and these can work seriously to our disadvantage. For example, the economic growth and success of international competitors tends to breed further growth and success, so there is a real potential we could become economically and technologically inferior; this has direct military security as well as comprehensive economic implications. Similarly, a loss of markets, employment, and high-value-added manufacturing opportunities to foreign competitors drags heavily on our own economic growth. These and other trends bring with them as well a relative decline in influence, making it harder for us to engender the cooperation needed to achieve other goals.<sup>5</sup>

At the same time, we have to recognize that growth of economic power and influence on the part of our competitors is a fact of life to be dealt with. It can, if dealt with properly, be turned to our advantage. We have in common with the rest of the world—in this context, particularly with our industrial competitors—a strong interest in keeping economic competition from degenerating into economic conflict. We can help to accomplish that by working to increase our own competitiveness rather than by searching for ways to reduce the effects of competition from elsewhere. Thus, it is perhaps even more important that we recognize—i.e., establish consensus—that most of our current economic malaise is of our own making.

Seymour Deitchman's review of the symptoms of that malaise is instructive. Our balance of trade is negative and has been consistently so for long, although it has begun showing signs of improvement. We have an

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<sup>5</sup>Huntington, *op. cit.*, p. 10.



aging production base that is not being sufficiently revitalized by new investment in more advanced (read: efficient, productive) techniques. Accordingly, as can be seen daily in the financial pages (and, for that matter, frequently in the headlines), we are losing ground in automobiles, electronics, advanced materials, and we may well lose ground in aircraft structures as well.<sup>6</sup> Looking more deeply into structural issues, he observes the decaying public works and service infrastructures—roads, highways, waste disposal, environmental protection, even the air transport system—and notes we have so far not mustered the will to bear the costs of rectifying these problems. He makes similar points regarding education, another key form of investment in the future. Levels of education, as evidenced by degrees attained and grade levels achieved, may be rising, but the real level of education is falling, and the output of human resources in areas like science, technology, engineering, and teaching, continues to slip.<sup>7</sup>

Numerous other commentators could be cited to support these and similar supporting points, and the list could go on indefinitely. Rather than trying to make the list longer, let us instead draw this fundamental conclusion regarding what all such lists would tell us: that we have become more and more a consuming society, and less and less an investing and saving society. Our tendency to consume more of other nations' output is reflected in our trade imbalance; our tendency to consume our own seed

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<sup>6</sup>Deitchman, *op. cit.*, pp. 22-27. He also points out these general trends raise the risk that our ability to produce military hardware will also atrophy; cf discussions in the previous chapter.

<sup>7</sup>*Ibid.*, pp. 30-33.

corn is reflected in our low rate of saving and in our federal budget deficits. Again, widely available and widely noted comparative figures bear out this conclusion. Over the last decade, Japanese have annually saved about 15 to 20 percent of their disposable income; Germans, 10 to 14; Americans, 4 to 9.<sup>8</sup> Capital investment figures, not surprisingly, track with the savings figures. Comparative figures for investment in nonresidential fixed capital as a percent of gross domestic product, over the same period: Japan, 20-25, Germany 16 to 18, U.S. 13 to 14.<sup>9</sup> The significance of the investment figures becomes more obvious when we note that these figures include depreciation, i.e., the amounts needed just to stay even as old plants and equipment wear out. In America over this period, our net (after depreciation) nonresidential investment averaged about 3% of gross domestic product;<sup>10</sup> comparable estimates would put Germany in the 5-7% range and Japan in the 9-14% range. The disparity in net investment, then, which matters the most for growth potential, is even wider than the disparity in gross investment.<sup>11</sup>

The most obvious manifestations of our profligacy, as suggested above, are our running series of budget and trade deficits. The net effect of this profligacy, as manifested in the budget deficit, has been to stifle capital

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<sup>8</sup>Thomas A. Stewart, "The New American Century: Where We Stand," *Fortune*, Vol 123, No 12 (Spring/Summer, 1991), p. 21.

<sup>9</sup>*Ibid.*

<sup>10</sup>*Economic Report of the President, 1992*, Tables B-2 and B-15.

<sup>11</sup>Plenty of additional evidence is available to support this general point. For example, Huntington noted a 4.2% rate of saving out of net national income for the U.S., compared to 20.3% for Japan from 1980-1987, with propensities to invest out of GNP at about 10% for America and 24% for Japan. This last figure (1989) reflects Japanese gross investment outstripping ours in absolute terms as well as in percentages. *Op. cit.*, p. 9.

spending, with results as illustrated above. These results have translated, and will continue to translate into, disappointing rates of productivity growth. Despite the fact that the American work force is growing older and more experienced, our productivity grew only about 1.1% per annum from 1981 through 1990. It might be better to break this down some: from 1982 through 1988, productivity grew about 1.7% annually. By comparison, productivity growth averaged 2.3% per year from 1950 through 1980. Moreover, productivity figures since the 1988 peak have fallen; estimates for 1991 put us nearly back at the 1988 level.<sup>12</sup>

The net effect of the profligacy, as manifested in the trade deficits, has been our transition in one decade from the world's largest creditor nation to the world's largest debtor. This cannot help but reduce our influence in the world, in much the same way that private debtors have relatively less influence than private lenders. Benjamin Friedman makes an interesting observation that shows just how bad these twin trends had become by 1987:

As we paid for our growing excess of imports over exports, we sent ever more dollars abroad for foreigners to invest in our financial markets. Indeed, because so little of what we save is left over after the government has financed its deficit, this reinvestment of our own dollars by foreign lenders now finances most of what little investment we are able to do.<sup>13</sup>

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<sup>12</sup>*Economic Report of the President, 1992*, Table B-44. 1950 data from the 1991 *Economic Report*, Table B-46.

<sup>13</sup>Benjamin Friedman, *Day of Reckoning* (New York, 1988), p. 11.

This observation suggests our failure to pay our way at home and our failure to pay our way abroad are closely related. They are, and in ways that provide partial equilibrating mechanisms that can, over time, reverse some of the negative trends. In the process Friedman was discussing just above, expansionary fiscal policy pushes up interest rates and attracts foreign funds. Investment is still stifled, but not as badly as it would have been absent the foreign funds. Also, we should all be aware by now that we can run major trade deficits as long as foreigners are willing to buy things other than goods and services from us—things like government and private debt, property, or stock—or simply hold our extra dollars. But both these equilibrating processes stop when foreigners tire of holding dollars or of using them to buy these other things at current prices; this is already happening. The result is another equilibrating process, in which the dollar exchange rate simply falls until dollars demanded by foreigners to buy American things (again, broadly defined) are equal to dollars supplied by Americans buying foreign things. So much for trade and balance of payments deficits. At this point, we balance, but at a significantly lower standard of living, unless some other processes are going on simultaneously that will cause our standard to rise.

But sustainable (vice foreign-financed) increases in the standard of living depend on improvements in the productivity of our economic institutions, and these improvements have been slowed significantly by our stifling of capital investment. Foreign exchange equilibration is likely to make this worse as foreign investment dries up. And there is no automatic equilibrating mechanism that funds higher levels of

domestically financed investment. Market incentives will signal to businesses where investments should be made; this healthy process shows no particular signs of deterioration or any other suggestion that government intervention would be helpful. But it helps businesses little if at all to know what investments will pay off, as long as there are no funds available to finance them. We have already discussed the appetite of our budget deficits for funds. We have also mentioned that foreign sources are probably going to be less forthcoming as the foreign exchange balance changes. Finally, the rest of the world is in a period of recession or at best sluggish growth as well, which will further depress the tendency for foreign investors to continue supplying funds. Thus, it makes sense to look first at ways to remove the domestic causes of our economic problems. Properly implemented, these will have the desirable side effect of taking care of some of the foreign aspects as well.

### ***HOME REMEDIES***

If we are to put ourselves back on a desirable productivity growth track, we will have to agree that the process starts at home. We must set about making our economy the kind of economy in which businesses want to innovate and invest in productivity enhancements, and in which resources for such investment are available in adequate amounts. In other words, we must work towards eliminating the root causes of our weaknesses: the budget deficit, a low overall savings rate, inadequate technological innovation, and inadequate investment in human capital. The resource amounts involved are large, but not unachievable; as we

shape a consensus for action on these issues, we will have to face not only the magnitude of the resource requirements but also the challenge of finding ways to make them available. There are three major areas in which we will have to focus efforts, both public and private, to reverse our trend towards economic stagnation or degradation. Seymour Deitchman sums these up as follows:

- revitalization, the modernization of plant and equipment to take advantage of newly developed and emerging technologies;
- investment in human capital, health and education in particular, to which I would add continued efforts to alleviate social and ethnic tensions; and
- reversing our neglectful trends regarding the public works infrastructure.<sup>14</sup>

He also points out that successful implementation of these approaches will in some ways require us to change our approach to management of the economy and the actors within it. For example, we still act, in the name of ensuring free enterprise, to restrain the sorts of cooperation and consolidation that can lead to major economies of scale and thus more competitive industries. Also, in many cases, the development of a new technology is too risky even for large firms to undertake; this is one of the cases where economic theory allows that government assistance could be justifiable, intervention though it be. Other governments do this more than ours; their approach seems to lead to success in practice, so they may

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<sup>14</sup>Deitchman, *op.cit.*, pp. 218-219.

have the theory right, too.<sup>15</sup> On the other hand, there is significant evidence to the effect that many of our economic problems are structural, having become institutionalized over decades of practice. For example, the American economy is slower than others in getting products from concept through development to the market. While government can help here, and does in other countries, revitalization will require a cooperative effort in which our industries themselves do a better job of integrating concept, design, production, and marketing.<sup>16</sup> The primary roles for government, then, are to create an environment more conducive to investment in productivity improvements, and to sponsor or aid in efforts to enhance our human resources through better education, training, and health care.

Before we can even begin to reach a consensus on what particular programs and policies will best contribute to our economic well being over the long haul, we must confront the magnitude of the problem. Flavor for this point, from Deitchman: "we have no real idea of what we are talking about, in terms of money, when we talk about ... how the savings [from cutting defense] can or should be applied to the other problems in the comprehensive national security spectrum."<sup>17</sup> Thus, we have to make and refine as necessary some estimates to give ourselves an idea of what the ledger looks like. For our purposes here, we need also to articulate these

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<sup>15</sup>*Ibid.*, p. 27. The opposite approach would be to try to persuade other nations to give up these kinds of competitive advantages. There is some domestic political pressure in the direction of this approach, not likely to be well received abroad.

<sup>16</sup>*Ibid.*, pp. 28-30.

<sup>17</sup>*Ibid.*, p. 215.

needs to the public at large, for purposes of building a supporting political consensus.

Comprehending the size of the federal budget deficit is a necessary first step. This deficit grew from a then alarming \$128 billion in 1982 to \$269 billion for fiscal year 1991. Estimates to bring us up to date include the following: 1992—\$365 billion; 1993—\$333 billion.<sup>18</sup> The Congressional Budget Office says these figures will be \$352 billion and \$327 billion, respectively.<sup>19</sup>

Stating the deficit in these stark absolute terms probably exaggerates somewhat the magnitude of the problem, because a good bit of what the government buys is investment. Or at least it would be so classified in capital budgeting accounts. It is probably not unreasonable for a government to go into debt to finance a capital enhancement (e.g., an interstate highway) any more than it would be for a private firm. Purchasing (i.e., swapping debt for) assets that distribute benefits over time is fundamentally different from issuing debt to cover revenue shortfalls in general. We can develop a better understanding of the overall size of the deficit problem by looking at it as a percentage of what we produce on aggregate, which is a reasonable proxy for our ability to carry debt. Friedman puts it, "changes in government debt in relation to the

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<sup>18</sup>*Economic Report of the President, 1992*, Table B-74. A later OMB estimate for the 1992 deficit is \$399.7 billion, which looks a lot like \$400 billion. *The Washington Post*, March 26, 1992, p. A-19.

<sup>19</sup>Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*. (Washington, 1992), p. 5, Table 1.



country's income from year to year or even from decade to decade ... give the single best measure of how its fiscal posture is evolving over time."<sup>20</sup>

Our recent deficits have ranged from 4% to 8% of our national income each year; the debt we are accumulating in this way has grown from about 31 or 32% (1981) to 54% (1990)<sup>21</sup> of national income over the last decade. In 1946, after the deficits that financed World War II, the debt ratio was 102%, but we brought it down to 46% by 1960, and we continued to reduce it until the 1980's trend began.<sup>22</sup> Another way to look at the burden is to observe that interest on today's accumulated debt is now running over \$200 billion per year; non-defense purchases of goods and services are about \$120 billion. So even if we allow that asset accumulation justifies carrying some debt, we are exceeding what could be justified on that basis by expanding the burden of carrying the debt. The requirement, then, should at least be to limit the growth of the debt<sup>23</sup> to a rate consistent with the growth of our ability to pay; this means shrinking the deficit by about \$140 billion (i.e., from \$330 to \$190 billion) in Fiscal Year 1993.

This would be a substantial, but not sufficient, first step in the direction of revitalizing our system and providing for our long-term economic security. Seymour Deitchman has estimated the total bill for this at well

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<sup>20</sup>Friedman, *op. cit.*, pp. 89-90.

<sup>21</sup>*Economic Report of the President, 1992*, Tables B-15 and B-74.

<sup>22</sup>Friedman, *op. cit.*, pp. 114-115.

<sup>23</sup>Retiring the existing excess debt is another matter altogether. Friedman argued in 1988 that "a sensible and cautious strategy" would be to reduce the debt ratio "at about half the pace at which it has risen between 1980 and 1988." *Ibid.*, p. 91; see also the discussion that follows, pp. 92-96. His strategy, if adopted today, would be more draconian than mine, because the debt ratio baseline is higher now and the economy is struggling its way out of a recession.

over \$600 billion per year in *incremental* spending (i.e., over and above current national resource allocations), broken down as follows:

•revitalization, private economy/industrial base	\$ 300 billion
•investment in human resources	217
•infrastructure improvements	<u>117</u>
•Total	\$634 billion <sup>24</sup>

These are 1989 dollars; adjustment to 1992 yields around \$708 billion annually. Without going into a detailed analysis or justification of these figures at this point, I would note by way of verification that today's equivalent of a \$300-350 billion increase in non-residential fixed investment would put us in the \$900-950 billion range, amounting to some 16-18% of GDP.<sup>25</sup> This compares much more favorably with the previously cited figures for Japan (20-25%) and Germany (16-18%). Deitchman's logic for the human resources and infrastructure increments two numbers is persuasive. For purposes of argument, however, if we assume his figures in these two areas are twice as big as they should be, then our resource need is down to \$520 billion (if we use his investment increment) or \$575 billion (if we use mine). For the purposes of my discussions here—i.e., for describing the approximate size of the problem as an aid to comprehension by the public in general—these numbers are essentially equal. At this point, then, we have estimated a resource requirement of about \$550 billion (the midpoint) per year. We could call this “funding” for an

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<sup>24</sup>Deitchman, *op. cit.*, pp. 219-226.

<sup>25</sup>*Economic Report of the President, 1992*, Table B-1. In today's dollars, the investment increment would be in the \$335 to \$390 billion range.

economic security strategy, but it should not by any means be all public funding, even in the case of infrastructure improvements and human resources programs. These numbers are intended to provide a feel for the reallocation of resources, both public and private, that is needed. Since I adjusted Deitchman's figures downwards, the estimates here are probably conservative.

Now let us assume for a moment that shaving the budget deficit by \$140 billion, as discussed above, will cause private investment spending to increase by the same amount. The remaining resource requirement is then \$410 billion, of which \$220 billion is the remaining investment increment and \$190 billion is needed in the areas of infrastructure and human resources. The \$140 billion to cut the deficit has to come from somewhere, too. A nation with a six-trillion dollar economy can come up with these resources if its people can agree among themselves to do so, but this amounts to a significant reallocation of resources currently devoted to something else. What are these resources doing now?

Leaving aside for the moment the trade balance, we are currently allocating our resources as follows:

•government purchases of goods and services, all levels:	19%
•consumer spending:	69%
•gross private domestic investment:	13% <sup>26</sup>

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<sup>26</sup>*Economic Report of the President, 1992, Table B-1.* The trade deficit amounted to about .5% of GDP in 1991

Since it's investment we're trying to enhance, we're left with the first two. Let us break government purchases into defense and non-defense. Reductions in defense spending are going to free up some resources for reallocation; this process is ongoing, accompanied by some painful adjustments. The defense budget is going to be on the order of \$275-285 billion; compare this with the overall resource requirement of \$550 billion. Somewhat more optimistically, Deitchman posits a defense budget around \$218 billion (1989 dollars) in his analysis,<sup>27</sup> which would be about \$243 billion in today's dollars. The defense budget, in other words, has its limits as a resource pool for other activities, even if we beg the question of whether or not any of these resources might possibly be needed for defense purposes.

For purposes of the very approximate analysis here, let us assume an average peace dividend of about \$50 billion per year. It isn't this big yet, but it may well get there; this is big enough to be worth securing, but too small to be a cure-all. Even at this level, the peace dividend will have to be counted about 8 times over in order to cover the \$410 billion requirement. Along the same lines, remember also that deficit reduction will already have consumed 3 peace dividends. Numerous additional combinations of peace dividend and numbers of times it must be applied are possible, but the preceding should suffice to demonstrate the absurdity of the exercise. Consensus includes a realistic assessment of what the

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<sup>27</sup>Deitchman, *op. cit.*, pp. 226-228.

peace dividend will amount to, along with recognition that it can only be used once.<sup>28</sup> Deluding ourselves to the contrary is the enemy of consensus.

Let us now look at the rest of government purchases of goods and services. This is also a relatively small number, and the federal number (the only relevant one for a national consensus) is smaller still: about \$120 billion in 1991. Taking this to zero would free up some resources, but probably also defeat our purposes. Remember that \$190 billion of our resource allocation requirement was for infrastructure improvement and investments in human capital, which include many of the things covered under "non-defense government purchases of goods and services."

To get an idea of how deeply we may be able to carve into this part of our national resource allocations, consider the "hit list" the White House recently sent to Congress, amounting to \$3.6 billion in proposed savings that could accrue from rescission of selected FY92 projects.<sup>29</sup> This is about 1% of the deficit, and less than 1% of the resource requirements we are discussing here. Better than three fourths (\$2.8 billion) would come from cutting two Seawolf submarines, and the lion's share of the rest (\$570 million) would come out of Housing and Urban Development projects. Most of these projects are earmarked infrastructure enhancements, and stand little chance of getting cut in today's political climate. Defense cuts we've already accounted for (as has the administration); to the extent the other

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<sup>28</sup>Which has led at least one wag to remark that we should leave the defense budget at the \$300 billion level—to make the resource pool available for the future.

<sup>29</sup>"Rescissions and Reasons: What the Administration Would Cut and Why," *The Washington Post*, March 23, 1992, p. A-19.

cuts could actually be passed they will amount to very little in comparison with the task at hand. My purpose here is not to belittle the efforts of our government's analysts to come to grips with the problem, but to suggest that it will be exceedingly difficult to develop support for budget cuts approaching the orders of magnitude needed. The programs that could be cut (theoretically, that's all of them) simply have too much support.

A more comprehensive review of this issue comes in the form of a Congressional Budget Office analysis entitled *Reducing the Deficit: Spending and Revenue Options*. This document has a large array of possible program reductions or eliminations, ranging from bigger defense spending cuts to canceling the space station to removing various price supports. Revenue enhancement options include raising income taxes, increasing energy taxes, and doubling SEC fees on securities transactions. An illustrative overall military force reduction, for example, would yield cumulative outlay savings of about \$106 billion over the period 1993-1997, as compared with the Administration's 1991 proposal. Savings over the 1993 proposal are estimated to be about \$50 billion less, so they would be on the order of \$50-60 billion.<sup>30</sup> One option in an array of possible income tax increases would enhance revenues by about \$20 billion in 1993, growing to about \$40 billion per year in 1997; cumulative savings would amount to about \$170 billion over the five years.<sup>31</sup> Altogether, the approximately 200 possibilities provide a broad and lucid perspective on the problem of

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<sup>30</sup>Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, (Washington, 1992), pp. 13-16.

<sup>31</sup>*Ibid.*, pp. 287-289.

deficit reduction. Attempts such as this one to shed light on ways to achieve our fiscal goals should clearly be encouraged, and their results continually evaluated against our overall objectives.

That said, we also should be realistic in recognizing that a vast majority of the programs considered for possible reductions are in place because we want them and because they are by and large doing what we want them to do. This is well reflected in CBO's analysis. They provide objective consideration of arguments both in favor of and opposed to each program, and the arguments are all reasonable. I suspect, along these same lines, that to the extent we are able to eliminate or reduce programs that legitimately should be taken down, there are other claimants—expansions of programs deemed underfunded or creation of new ones—to absorb any savings. Recall my use of Deitchman's reasoning and figures: if anything, our consensus will call for more, not less, public spending as we tackle the challenges of infrastructure enhancement and investing in human resources. So federal (and probably state and local) government budgets are not going to provide the bulk of the resources for the reallocations we need to undertake. Revenue enhancement options like those proposed in the CBO analysis<sup>32</sup> thus take on added significance, as does consideration of the one remaining pool of resources for possible reallocation.

That remaining pool is consumption, and it is a big one. From 1980 through 1991, increases in consumer spending took up 75.5% of the total increase in national output; during this time, consumers' share of that

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<sup>32</sup>*Ibid.*, pp. 285-353.

output grew from 65% to 69%.<sup>33</sup> By contrast, consumer spending averaged 64% of output in the '50's.<sup>34</sup> Between then and now, spending patterns have shifted so that consumer spending is growing not only absolutely, but also in terms of the share of total production it claims. If 1993 consumer demand were to be reduced to the 1950's average share of 64% (this is not the same as a return to 1950's living standards), that would free up about \$320 billion per year in production resources that could be applied to other needs. A return to the 1980 share (again, not living standard) would free up \$250 billion per year. At this level, per capita consumption would be \$12,513 (1987 constant dollars), up from \$10,746<sup>35</sup> in 1980; this is a living standard increase of 16%.

All the preceding figures do imply a reduction in living standards from *today's* levels, however. For comparative purposes, maintaining today's standard (measured, as above, as real per capita consumer spending) would free up from \$40 to \$120 billion per year in 1993, providing real growth rates could be maintained between 1.5% and 2.5%. This amount would grow to about \$150 to \$470 billion per year in 1997, again with the same growth assumptions. Middle ground is perhaps represented by a return to the 1980 consumer share of output, coupled with a growth trajectory that allows a 1% annual increase in per capita consumption, which would return us to the 1990 level by 1997. Thus, we would have to accept a short-term reduction in living standard, but with the prospect of

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<sup>33</sup>*Economic Report of the President, 1992, Tables B-1 and B-2.*

<sup>34</sup>*Economic Report of the President, 1991, Table B-1.*

<sup>35</sup>*Economic Report of the President, 1992, Table B-25.*



fueling sufficient growth to allow for an eventual return to that standard and more.<sup>36</sup> This path would free about \$190 to \$275 billion worth of resources in 1993, a major start on the way to the needed \$550 billion. We could achieve this level, even on this kinder and gentler path, by 1997 or 1998.

Having recognized the desirability of shifting our economy away somewhat from its consumer orientation, we now come to the question of how the shift could best be accomplished. People do three things with their incomes: buy consumer goods, save, and pay taxes. At any given income level, then, lower consumer spending has to be induced either by an increase in saving or by an increase in taxes. Another way to look at this, which again involves the tax structure, is to recall the fundamental economic principle that you tend to get relatively less of things that are taxed relatively more, unless the demand for those things is totally inflexible. Consumer spending, in an economy as far away from the subsistence level as ours, is clearly flexible. Thus, the not unreasonable conclusion, getting significant attention in political campaigns and the media, is that we should consider consumption taxes as a partial remedy for our economic problems. The value-added tax is one such approach; it has unfortunately earned a reputation for being regressive.<sup>37</sup> This is partially an outgrowth of the fact that value-added taxes look a lot like

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<sup>36</sup>The drop in living standards is overstated, because the measure is too narrowly defined. Improvements in public works infrastructures, for example, will raise the quality of life even as per capita consumer spending remains flat. A less direct but still worthy case could be made for environmentally sound capital investments.

<sup>37</sup>I.e., falling disproportionately on people with lower incomes, who can least afford to pay it.

(and feel a lot like) sales taxes, which typically are regressive. Value-added taxes need not be regressive, but as with other tax systems, avoiding regressivity adds complexity.<sup>38</sup>

A second approach would also get at consumer spending through taxation, but by simultaneously encouraging saving and discouraging consumption. It would have the added advantage of being workable within the current income tax framework. This approach would have three basic elements:

- exemption of savings from income taxation;
- exemption of some minimum level of income from taxation; and
- progressive taxation of remaining income.

The first feature would encourage voluntary saving (i.e., for our purposes, foregoing consumption and freeing up funds for investment), while the last two would simultaneously assure progressivity and discourage consumption. A tax system structured along the basic lines shown above would in fact be a consumption tax: it would directly (and progressively) tax those elements of income that are neither saved nor paid out in taxes elsewhere, i.e., those elements spent on consumption. The system actually put in place would in all likelihood include a host of additional exemption categories, such as mortgage interest or perhaps housing expenses in general. These would be for the most part natural outgrowths of our overall orientation on fairness; there is no reason to

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<sup>38</sup>Friedman has a lucid discussion of consumption taxes, value-added taxes and regressivity on pp. 291-293 of *Day of Reckoning*.

assume this proclivity will change or that it needs to. Legislative attempts to achieve fairness should be allowed to function, as they do now, to reflect that orientation.

Any system designed to reduce consumer spending involves sacrifice, and building a consensus for sacrifice is a difficult process. The American people have traditionally proven willing to sacrifice when the need for sacrifice is made evident; consensus building efforts along the lines outlined here will help to make that need evident. We should also work to rekindle the traditional American sense of intergenerational responsibility. One additional crucial element is fairness, as discussed above; no consensus will be possible unless we can persuade ourselves that the sacrifices are distributed fairly. Taxing consumption, after allowing for a minimum level, is itself a significant step in the direction of fairness, especially since it gets most directly at the root problem we face. Beyond this, a combination of progressivity and exemptions or credits will have to achieve the remaining necessary degree of fairness. It is likely that except for increased progressivity and the exemption of saved income, this system would be broadly similar to the current one. But one thing is clear and should be articulated in this way: any system that causes us to build more for our future is more fair to future generations. If we can simultaneously make it more equitable to the current generation as well, so much the better.

## ***FOREIGN TRADE AND DOMESTIC WELL BEING: WE ARE NOT ALONE***

I have previously stated and briefly discussed our strong comprehensive security interests in assuring cooperative economic behavior in the world community. It will be worthwhile to expand on these interests in connection with the discussion of our overall approach to the economic component of our security. The world is becoming more and more interdependent economically; larger and larger amounts of what the world produces is traded between countries. The importance of international trade to our economy can perhaps most quickly be seen in figures representing its share of our production and purchases. Exports of goods and services, for example, accounted for a little over 4% of our GDP in 1960. This figure grew, with minor perturbations, as follows: 1970—a little less than 6%; 1980—8.5%; the 1991 estimate is 11%. Imports tell a similar story: less than 5% in 1960, under 7% in 1970, just under 8% in 1980; 11.5% in 1991.<sup>39</sup>

A key implication of the flurry of figures above is that aggregate demand for our exports is a stronger force in our economy (\$540 billion in constant 1987 dollars, 11% of 1991 constant-dollar GDP) than federal government purchases of goods and services (\$385 billion 1987 dollars, or 8% of real GDP).<sup>40</sup> Expanding foreign demand for our goods and services can have a hugely stimulating effect on our economy. Stimulation from export trade will reduce some of the burdens discussed in the last section,

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<sup>39</sup>*Economic Report of the President, 1992, Table B-2.*

<sup>40</sup>*Ibid.*

since the induced growth will increase domestic incomes and thus make it easier for us to free the resources needed for revitalization. With this much understood, it should be relatively easy to maintain consensus on continuing our efforts to expand the gains from foreign trade. What is less clear is where the best approach lies, along the continuum from pure free trade to government-controlled mercantilism. There will be gainers and losers regardless of what course we choose: pure laissez-faire, protectionism and economic nationalism in the America-first style, or cooperation with other nations to maintain an open, stable and mutually beneficial system. It makes more sense, however, to choose our position on the continuum based on national interest, rather than on the interests of particular gainers and losers. If we find the benefits inequitably distributed as a result, we have it within us to redistribute them.

Basic economic theory points to the conclusion that unfettered competitive trade yields greater benefits than trade distorted by the imposition of forces from outside the market. Thus, it seems a simple matter to argue that we have an interest as an individual nation, and as a responsible member of the world community, in helping to keep international trade as free and competitive as possible. This interest grows more important as our stake in trade, along with that of the rest of the world, grows larger. Our country has for long espoused the principles of free trade and competition in both the domestic and international systems, although our practice has, like that of other countries, sometimes fallen short of the rhetoric.

Why, if economic theory is so clear, does practice deviate? There are some other things basic economic theory tells us that are also relevant to trade among nations as well as within national markets. Economic theory is equally clear, for example, on this point: an individual actor in a market, if sufficiently influential, can skew transactions so as to reap a relatively larger share of the benefits from trade. Alternatively, one can limit competition in ways that favor a particular actor in or sector of the market. Monopoly behavior is an example of the first, tariffs and import restrictions would be examples of the second. Most of the issues that concern the international economic order revolve around efforts by both national and corporate actors, sometimes acting in concert, to garner larger shares of the gains from trade or to erect shields against competition. This brings up a third relevant point of economic theory: market distortions reduce the *net* gains from trade, so when trading partners on both sides of a transaction attempt to skew the system, *both sides lose*. They will be better off than they would have been with no trade at all, but they'll be worse off than if they had left the market process alone.

Moreover, many forms of market distortions, particularly those designed to limit domestic competition, actually work to the net detriment of the economy they were designed to protect, provided we take into account the impacts on all affected parties. When the Japanese voluntarily restrict exports of cars by, say, 200,000, this means more employment in Detroit, but it also means 200,000 American consumers will buy their second-choice car, probably at a higher price, or forego the new car

altogether this year.<sup>41</sup> If, therefore, we were to make gains from trade the sole criterion for evaluating alternative international trade systems, the *laissez faire* system would be the clear choice. But there are other politically operative criteria besides consumer enjoyment of the benefits of free trade, and trade policy and laws are made not by economists, but by politicians. Politicians representing constituents who expect protection. Apropos of this discussion, they expect protection from job losses and dislocations brought about by international (or, for that matter, domestic) economic competition. So the issue on which we need to reach consensus is the degree to which we are willing to allow government or business activities that distort market processes in order to achieve other purposes, such as preserving jobs in domestic industries. What are acceptable purposes, and how much will we forego in potential gains to achieve them?

There have traditionally been two major arguments offered in favor of what amounts to protection of domestic industries, whether the practice is called protection or not. The first is the protection of fledgling industries: new enterprises in new fields that show great promise of becoming wellsprings of prosperous domestic endeavor. These enterprises will, it is argued, be swamped by foreign competition if not shielded until they mature and can compete on an even footing. A second argument is the protection of key domestic industries, be they new, mature, or old. The

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<sup>41</sup>Examples abound. For a short, entertaining, and lucid treatment of consumer benefits lost in the name of achieving alternative goals, see Robert E. Moore, "Consumers' Stake in Free Trade," *The Christian Science Monitor*, December 4, 1991. For a longer treatment, see any basic economics text. There are few elements of economic theory on which economists are more unanimously agreed.

overriding consideration in these cases is that the nation cannot afford to be without a particular industry, and that foreign competition puts the industry at risk of going out of business. This type of argument is most frequently applied in the case of industries that make critical contributions to production of strategically valuable commodities. Although these arguments generally run counter to the efficiency argument that forms the basis for free trade, the exceptions they offer are plausible enough. It does matter what we produce, particularly if what we produce has strategic value, and it can reasonably be argued that government efforts to prop up or shield a particular industry have the beneficial side effect of keeping the worldwide market for that industry's products more competitive, at least in the long run.<sup>42</sup> It is on the basis of arguments like these that we find so attractive the possibility of cooperating with our trading partners to "manage" trade.

Managed trade is essentially a fact of life in dealing with other advanced industrialized nations; Japan is the most frequently cited example, but we also find the European Community "manages" imports from Japan more carefully than we do. I suspect we would hear more in the media about European trade management if we were running a trade deficit there, and a surplus with Japan, instead of the other way around. But if we are going to consider the possibility that some (more) trade

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<sup>42</sup>In the long run, by keeping the industry in business and preventing the concentration of market power in its competitors. Subsidies do the world's consumers a more direct favor. If another government wants to subsidize automobile production at the expense of its own taxpayers, and thereby make less expensive cars available to other consumers, why should the other consumers complain?



management on the part of our government would be good, we should note that the reason it is good is that it makes possible greater profitability—at higher prices within a given market, or with a larger market share—for domestic producers.<sup>43</sup> To the extent this comes at the expense of domestic consumers (or taxpayers, the same people on a different ledger) it is not as universally good as we might otherwise have thought. It makes sense, therefore, that if we want to maintain or increase the viability of a particular industry or industry group, we should first ensure that we are doing so because of a national, not local, economic interest. Second, we should attempt in all feasible ways to bring about needed increases in profitability without causing domestic prices to rise. Better encouragement of productivity investment is an obvious choice here.

So is expansion of export markets, provided, again, that it can be done in ways that enable economies of scale to avert domestic price increases. Here is an area where government cooperation with industry and with other governments—managed trade, if you will—can significantly contribute to accomplishment of our long-term economic objectives. Especially now, with the removal of ideological barriers in Eastern Europe and the successor states of the Soviet Union opening so many potential new markets. Latin America also shows signs of large growth potential as a consumer market. These are areas where we and our advanced industrialized partners can mutually profit. To a significant extent they

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<sup>43</sup>Usually couched, naturally enough, in terms of reducing domestic unemployment, protecting jobs. Jobs follow profits: firms hire people to, do work on which a profit can be made.

are laying the groundwork for doing so, and we could easily afford to do more.

Given the compelling case that can be made on the basis of arguments like these, it makes sense that we should accept some degree of trade management. It would be an even better idea if we could simultaneously establish that no other nation will be allowed to take up a trade posture that works counter to American interests. If we could so easily wave off the risks of trade warfare with other major industrial powers (many of whom are powerfully positioned to engage in it), establishing the rest of our trade policy would be easy as well. We do not live in that world; we live in a world where other nations are as free as we to operate in restraint of free trade.

But we also live in a world where the economic viability of other nations—major trading partners in the short run, but others in the long run—is tied to ours, and ours to theirs. Our exports provide either directly or indirectly for satisfaction of consumer demand in other nations, and thus depend heavily on that demand. In other words, our exports, a stronger stimulative force in our economy than government spending, depend on income earned by foreigners. Our imports are a more or less direct analog, so we share with the rest of the world an interest in maintaining growth of national incomes, ours and theirs. This principle, along with the notion that less distortion means greater gains from trade at any income level, will provide a strong basis for cooperation in trade and

tariff negotiations, the establishment of free trade zones, and a host of bilateral arrangements as well.

In short, we should work to establish, or re-establish, a national consensus on international trade as follows:

- Our fundamental trade interest lies in our ability to profit by exporting those goods we can most profitably produce and export, and in a sustained ability to import those things others can produce better.
- Nations will be most able to profit from trade when the trade is conducted without the distortions imposed by government (or private) non-market activities. Such activities should be permitted only when there is a clearly overriding national concern, and when alternatives to meet that concern are unavailable.
- Government cooperation with export industries, to include government efforts to assist in opening new markets overseas, is clearly in the national interest. The government should increase its efforts in this regard, to include engaging other major economic powers in arrangements to provide for more stable, less risk-prone environments in the emerging economies.
- Restraint of imports is generally not in the national interest; promotion of productivity enhancements to make domestic industries more competitive is.
- International trade conducted under policies developed on the above basis is going to result in some job losses and relocations. Not all industries or segments thereof will meet the criterion of overriding national concern. The solution in these cases will be for the government to assist in the relocation and retraining processes as necessary, not to keep the processes from happening by protecting industries from competition.

Finally, it should be pointed out again that our long-term economic viability has much to say about our ability to influence world trends in ways that accord with our interests. And conversely. Just as key defense

considerations can override considerations of pure economic efficiency, it seems not unreasonable that key considerations in the economic component of comprehensive security should carry similar weight. But in both cases we have to be especially careful that it is a key overriding interest we are supporting, and that we have exhausted alternatives for supporting it more efficiently. To do otherwise is to allow factional interests to masquerade as national ones, which puts the entire framework of consensus at risk.

## **CHAPTER 7**

### **A SECOND LOOK AT INTERNATIONAL RELATIONS**

#### ***AMERICA FIRST?***

Having concluded in the last chapter that our long-term security consensus must include recognition of the vital importance of international trade to our economic viability, it will be useful to look again at the connection between all our interests and our ability to influence those interests in the evolving world. While the interests likely to play the most important role are our economic interests, promoting those interests in many cases requires accomplishment of political-military interests as well.

The United States has for long been the ultimate guarantor of security for our allies around the world, as the balancing force arrayed against the vast military potential once vested in the Soviet Union. To the extent that a locus of such vast and concentrated power could once again manifest itself, among the USSR's successors or elsewhere, we could say this basic role has not changed. What *has* changed, dramatically enough to alter the global military security framework, is that this threat has become a latent one, a potential threat of the future. Thus, the requirement to deal with really large threats, to the extent it bears at all on current resource

decisions, is now a requirement to maintain the capability to regenerate large<sup>1</sup> military forces, rather than maintaining bigger forces at an immediate state of readiness.

To this point, the point of agreeing that change is needed, we have a substantial basis for consensus not only among Americans, but also within the community of nations. There is however, as I mentioned earlier, a serious risk that Americans, concerned as they should be with remedying domestic problems, will conclude from the major shift in putative military power that maintaining a military presence in the world arena is unnecessary. Hand-in-hand with this is the risk that we will perceive that other nations want our influence removed altogether. These twin tendencies in our thinking either ignore altogether the implications of increasing interdependence or assume—usually implicitly—that we can continue to enjoy the fruits of interdependence without the involvement and leadership that enable us to influence events in our own interest.

It will be important, then, for us to build consensus on this basis: while our long-term economic interests may need more attention in the new world environment, we can still—as always—best secure these interests by remaining actively involved in that environment. The interests have not changed; the environment and the means by which we achieve the interests—the mix of the various elements of power and influence—has changed. It will also be important in this regard to recall that the militarily and politically stable framework that resulted from our

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<sup>1</sup>And technologically superior—see arguments in Chapter 5.

provision of security guarantees during the Cold War helped to bring about today's prosperous economic environment. Economic development and eventual prosperity were most profound in those regions where American security guarantees were most evident.<sup>2</sup>

Thus, as argued before, we continue to have a derivative interest in the maintenance of a stable political and military security framework. We do this best not only by maintaining an active role in the world economic system, which benefits us directly as well, but also by maintaining sufficient political and military influence to ensure that stability. Robert Art refers to this as hedging against risks of future instability, and develops arguments along the above lines for the maintenance of our military security presence in the world not for the military security it brings us, but for the economic security. To be sure, this presence also will make more direct military security contributions as well. Art sees such hedging as needed to prevent—

- the spread of nuclear weapons (limiting may be the best we can hope for);
- the tendency for economic nationalism to upset the relatively liberal current economic order;
- any major great power war;
- any power from gaining control over Middle East oil; and
- the conquest or destruction of Israel or South Korea.<sup>3</sup>

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<sup>2</sup>Art, *op. cit.*, pp. 31-34.

<sup>3</sup>*Ibid.*, p. 50.

While it could be argued that at least two of these (non-proliferation and prevention of great-power war) are vital interests in the direct military sense,<sup>4</sup> the more important point here is that all of these interests have clear implications for our economic security, and that they are not best dealt with by economic means alone. Nor are they best dealt with by the United States alone. Another argument for maintaining our active involvement is that by so doing we can continue to encourage a multilateral approach to maintaining the stability so important to the world economic order. Failing this, challenges to stability may go unanswered, or may be answered by actions of other nations acting without us and without our influence. Neither of these possibilities is likely to accord with our long-term comprehensive security interests.

#### *RELATIONS WITH MAJOR INDUSTRIAL POWERS — EUROPE AND JAPAN*

The trend towards greater military security in Europe has two major implications. First and most readily obvious, military forces can be and are being reduced, replaced by the capability to regenerate as necessary. This trend parallels and is wholly consistent with the evolution of U.S. military strategy. The second implication is a relative growth of European influence within the Atlantic Alliance. It is possible this would have happened even without the breakup of the Warsaw Pact and the Soviet Union, but for our purposes here that does not matter. The fact is that there will be relatively more European influence in the Atlantic Alliance. This will not

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<sup>4</sup>Which would justify posturing military capabilities to deal with them even in the absence of any other considerations.



necessarily work to the detriment of U.S. interests, but we can make it work that way by misreading the trends and the underlying motives. We seem tempted to assume that the current trends are intended to lead to the dismemberment of NATO, the removal of American security guarantees and their visible manifestations (i.e., the combined planning structure and the troop presence), and the transfer of military forces out from under NATO control and into some new security identity (viz., in most treatments, the WEU). Since it generally suits the aims of the America-first movement to attribute such motives to Europe, we hear too often in this country that this is what the Europeans want. Europeans say this is not so; perhaps they are right.

The rhetoric summarized above masks true interests on both sides. The basic interest, as discussed earlier, lies in maintaining the stability that enables continued economic growth. Beyond this, it is in the interest of all members of the alliance to accomplish this basic goal at minimum resource cost and while retaining maximum influence and freedom of action. This is obvious, and at this level of abstraction the interests—again for all concerned—have not changed since the Cold War. The changed military situation, however, places US political/military interests more along the lines of continuing to maintain a favorable world order than along the previous, more direct lines of guaranteeing the territorial integrity and physical security of NATO allies.

Still, as Nuechterlein asserts, we have a “vital stake in a peaceful and democratic Europe.” More specifically, this means ensuring the threat

formerly posed by the Soviet Union does not reemerge in some other form, that a resurgent Germany does not pose a threat—perceived or actual—to others in the region, and maintaining sufficient US influence to ensure Europe moves in directions compatible with our other interests. Maintaining that influence will be important to furthering our economic interest in open trade, cited here by Nuechterlein and elsewhere by others as a vital interest. In addition, he points out we have a major interest in encouraging rich nations to invest elsewhere, where infusions of capital are so needed for economic development. Again, this is more easily accomplished by nations with sufficient influence to bring about multilateral action.<sup>5</sup>

Accomplishing the goals outlined above, in any of the various forms in which they may be stated, requires above all else that we continue to capitalize on the basic commonality of values we share with our growing circle of friends in Europe. A key element of any emerging American consensus, then, is recognition of our own interest in seeing to it that European governments continue to share values and cooperate with us on global issues. This will require diplomatic efforts, backed as necessary by commitments of power and influence (and resources, some of which will be military). The diplomacy will have to be based on efforts to understand European issues from a European perspective.<sup>6</sup> The basic transatlantic commonality of values and interests still obtains. While it is probably not

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<sup>5</sup>Nuechterlein, *op. cit.*, pp. 194-199.

<sup>6</sup>See, for example, Jennone Walker, "Fact and Fiction about a European Security Identity and American Interests" (Washington, 1992).

true that current European "assertiveness" is meant to threaten that foundation, we can do much to limit the negative effects of assertiveness by removing the reasons for it.

Similar logic applies to our relations with Japan, a nation that in the past five decades has gone from military archenemy to needy friend to budding capitalist democracy to full-fledged trading partner to economic rival. Some, unfortunately, would characterize the last as "enemy." While emerging Japanese power will clearly be a force to be reckoned with, it is best to remember, as we did above with Europe, that it is also a fact of life. And also as with Europe, there is a lot that really has not changed with the end of the Cold War. The basic commonality of values and the overriding interest in stability remain. Also, many of the old "fault lines" are still in place in the Pacific, chief among them the standoff between the two Koreas and the unresolved territorial differences between Russia and Japan. The development of workable collective security arrangements is more problematic in East Asia than in Europe, however; neither recent nor long-term history provides a basis for effective regional or multilateral security relationships.<sup>7</sup>

It is in this context that we must refine and rework our consensus regarding our commitments to security and stability in East and Southeast Asia. US presence has long been a stabilizing influence in the region, the Vietnam War notwithstanding. A removal of our security presence would

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<sup>7</sup>National Academy of Sciences Committee on International Security and Arms Control, *The Future of the U.S.-Soviet Nuclear Relationship* (Washington, 1991), pp. 10-12.

reduce the sense of security enjoyed by all nations of the region, with the possible exception of Vietnam. Increased security concerns could possibly generate enough centrifugal forces to break up ASEAN, to the comprehensive security detriment of those involved and the economic detriment of the United States and Japan.<sup>8</sup> At the same time, maintaining the current non-threatening Japanese military posture depends more than anything else on reducing any proclivities in the region toward rearmament or instability. Reduction of these risks, induced by cooperative efforts on the part of the United States, Japan, China, and other regional actors, will tend to limit or eliminate the need for the Japanese or anyone else to increase military forces. With incentives to increase armaments thus removed, security for all is increased.

Even with the major Soviet threat removed, there is still a significant risk of conflict among regional powers, and we have a major interest in avoiding this. Moreover, we have an abiding economic interest, as is the case with Europe, in ensuring that regional alignments continue to enable free and open international trade to the maximum possible extent. Thus, the major dilemma for the United States is how to make its security presence less expensive without causing increased feelings of insecurity on the part of regional actors, leading to arms races and attempts to form new security alignments.<sup>9</sup> The parallel with our overall approach to Europe is not surprising, given the congruence of basic interests.

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<sup>8</sup>Nuechterlein, *op. cit.*, pp. 175-178.

<sup>9</sup>*Ibid.*, pp. 190-192.

Given the perspective discussed above, American pressure on Japan to increase its military capabilities is probably counterproductive. If the Japanese have to operate on assumptions that they must deal with relatively large regional threats and that their security will no longer be underwritten by the United States, they will almost surely posture forces too large to suit the security concerns of other nations in the region, notably China and both Koreas.<sup>10</sup> Having the United States replaced by Japan as the guarantor of regional military security, in short, is not in our interest or the interest of any nation in the region, most probably including Japan. Expanding and refining our partnership with Japan is in the enlightened self-interest of both parties; this could include some reduction of US forward-deployed military forces but not to an extent that would necessitate expansion of Japanese capabilities. Engagement in multilateral efforts to reduce threats and risks in the region will also require a continuing US presence, and we must clearly understand that this approach accords directly with our economic interests, and thus with our comprehensive security interests.

***COMPREHENSIVE SECURITY AND ECONOMIC DEVELOPMENT: ALTRUISM OR INTEREST?***

A common thread in the previous paragraphs has been the need for us to maintain our influence over events elsewhere in the world; at a minimum, this enhances at least the economic component of our comprehensive security. We have so far concentrated on relations with

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<sup>10</sup>*Ibid.*, pp. 172-173.

those nations with the greatest potential to affect our economic well being. We should be aware, however, that our economic security, and that of our current major trading partners, will in the long run depend on the maintenance or enhancement of comprehensive security for developing nations and the emerging democracies of Europe as well. We and those same partners share an obvious trade interest in the economic development of other nations, the markets of tomorrow. Because of this interest, we also have an interest in stability: stability that provides a benign environment for economic growth and reduces threats to the availability of key resources. Another facet of this logic is that it underscores the need for us to maintain influence with our major partners, so we can secure the cooperation that will make possible, or at least far easier, the task of bringing about that growth and stability.

There have been over 100 conventionally armed conflicts in the world since World War II, virtually all of them involving developing nations on at least one side.<sup>11</sup> Meantime, arms stockpiles, more and more including sophisticated modern weapons and mass destruction capabilities, continue to grow. These stockpiles do not by themselves cause conflicts. But when the root causes of conflict are present, these stockpiles do make the use of force more likely,<sup>12</sup> more devastating, and more potentially threatening to other nations not directly involved. Current regimes for limiting growth of arms stockpiles and preventing the proliferation of the most dangerous

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<sup>11</sup>National Academy of Sciences, *op. cit.*, pp. 12-13. V. Creveld says, "perhaps 160." *Op. cit.*, p. 20. A rather inexact science, this.

<sup>12</sup>At least in cases where preemptive attack is tempting.

weapons systems have at best had mixed success; recent discoveries regarding Iraq's nuclear development programs are the most publicized case in point.

Reducing the long-term potential for instability depends ultimately, as suggested above, on the removal of the long-term root causes of conflict. This, of course, will have to be done on a case-by-case bases, taking account of political, economic, and cultural roots of instability. It is by no means clear that we or any of our partners among the world's industrialized democracies should be involved in conflict resolution as a general rule. Determining where and how we and our partners can aid in conflict resolution will also have to be done on a case-by-case basis. Where participation in such a process is deemed appropriate, it will require long-term commitment and patience, but not a huge amount of material resources. A relevant example is the current negotiations designed to bring the Israelis and the Arabs to terms in the Middle East. Difficulties and frustrations in such negotiations notwithstanding, development of consensus in support of our involvement in conflict resolution should be a more or less trivial matter: the cause (peace) is undeniably good, the potential returns are large, and the resource cost is small.

Unfortunately, much of the potential for instability in today's world is too threatening for us to wait for a long-term peace negotiation process to alleviate it. We should continue to contribute to these processes in cases where our contributions are welcome and can be helpful. While thus

supporting efforts towards long-term resolution, we should at the same time cooperate with other nations to limit the risks of these conflicts degenerating into open warfare. Building a consensus for these sorts of activities will be more difficult than building a consensus for military action once conflicts *have* degenerated into open warfare, but it is at least as important. For example, in the Persian Gulf crisis, there were legitimate differences of opinion regarding the timing of our military response, but there was broad consensus that our President was right in his holding that Iraq's aggression must not be allowed to stand, and that military action to force his Army from Kuwait would be appropriate if peaceful means of coercion failed. In cases like this, consensus building is not going to be particularly difficult, even though the sacrifices might be potentially large.

By contrast, what we are discussing here is the building of consensus when threats are less immediate and the risks more diffuse. Continuing the previous example, imagine the difficulty of building a consensus for a major posturing of military forces in the Persian Gulf region *prior* to Iraq's invasion of Kuwait. We are also discussing here engagement in activities that work to the direct benefit of other nations at least as much as to our own. When threats are less immediate, the distribution of benefits and costs attracts more attention. Appeals to altruism in cases like this are unlikely to work; rather, success in building consensus will depend on recognition of the extent to which instability elsewhere puts our (primarily economic) interests at risk, the implicit return on our investments in stability enhancement, and the degree to which we can leverage our commitments by using them to secure the cooperation of our allies.



Aside from the long-term conflict resolution process, there are essentially two ways we can enhance stability. The first approach involves working to limit or reduce the size and lethality of military forces and weapons stockpiles: arms control and non-proliferation programs. Where successful, these kinds of programs can yield significant returns for relatively small investments of resources.<sup>13</sup> The second approach involves the provision of security guarantees. To be credible, these have to be backed by forces in being and the capability to place them where needed; this in some cases will mean maintaining (or establishing) a forward military presence. The theoretical limit to this approach is the much-derided "world policeman" model, which at its extreme would have us putting a policeman on every beat. Even when we avoid this extreme by making judicious choices as to the limits of the security guarantees we provide, the resource implications are significant. This, therefore, is an area where burden-sharing considerations will be crucial to consensus.

Since arms control and non-proliferation efforts offer such a large potential return on investment, we should develop an understanding of the obstacles to arms control. Complexity is one major problem. Successful arms control efforts require agreements, in some considerable detail, as to what constitutes parity between or among military forces. Included in this is agreement on the definition of offensively versus defensively oriented forces and weapons systems.<sup>14</sup> This process has been highly complicated

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<sup>13</sup>Arms supplier nations will suffer a decrease in sales, a non-trivial point to be discussed further below.

<sup>14</sup>Further complicated by the fact that almost all weapons systems can be used in both capacities.

in Europe, even after the considerable relaxation in tensions brought about by former Soviet President Mikhail Gorbachev's initiatives. It is likely to be more complex in other areas of the world. Nevertheless, it is a process worthy of encouragement because of its potential to bring about enhanced security at lower resource costs.

In what might loosely be called the military force development market, we and our industrialized allies have considerably more control over the supply side than over the demand side, but long-term success in limiting or rolling back arms buildups will require efforts on both sides of the equation. Limiting the demand side is a second major obstacle. The demand side consists of nations (or, more correctly, governments) building military forces and arms stockpiles to enhance national security, prestige, the government's hold over the domestic populace, or any combination of the three.<sup>15</sup> In a world many now see as unipolar, developing nations may well begin to perceive that wealthy industrial nations are freer to use military force against them. This cannot help them feel more secure.<sup>16</sup> This perception, coupled with the notion that major technological advantages were at the roots of the Allied victory in the Persian Gulf War, provides a strong demand-side incentive for the procurement or production of more weapons systems, more advanced systems, and larger forces.

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<sup>15</sup>Raju G.C. Thomas, "Going Nuclear After the War," *Nuclear Times*, Vol 9, No 3 (Autumn, 1991), p. 42.

<sup>16</sup>*Ibid.*, p. 45. This sets up the erstwhile Soviet Union as the champion of the developing world, a characterization not overwhelmingly supported by history. Nevertheless, perceptions count, and this particular perception can seriously complicate arms control efforts.

It is important to note that this proclivity is not simply an enchantment with high technology weapons systems for their own sake; to characterize it as such is condescending and misses the point. Evidence clearly indicates decisions to acquire new weapons systems on the part of developing nations derive not from technological capabilities *per se*, but from analysis of "political, psychological, security, and other idiosyncratic factors."<sup>17</sup> States are primarily motivated by perceived threats to their own security, and perhaps by prestige considerations, in making force and weapons procurement decisions. Furthermore, while technologically advanced weapons systems tend to get the most public play, limiting the proliferation of only these kinds of weapons will not solve the entire problem. As Cohen points out, technology in the hands of Third World military forces is not the only thing that contributes to the lethality of those forces. At least as important is their growing ability to produce or procure more basic weapons systems: small arms, artillery tubes, grenades, anti-aircraft guns, and the like, and the ammunition to go with them.<sup>18</sup>

An additional complication derives from the tendency for military expenditures to be influenced heavily by fiscal factors; i.e., as nations' economies grow, they tend to put larger shares of their growth into

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<sup>17</sup>Tariq Rauf, "Preserving Nuclear Deterrence and Promoting Nuclear Non-Proliferation: A 'Faustian Bargain'?" *Toward Minimum Deterrence: How Low Can We Go?* (Ottawa, 1991), p. 56. Note consistency with Thomas, above.

<sup>18</sup>Cohen, *op. cit.*, pp. 159-160. Cohen actually argues the latter factors are more important. This is probably supportable in the case of developing nations in conflict with one another, but far less obvious in the case of forces like ours fighting against the forces of a developing nation. In any case, the point here is that reducing the tensions engendered by arms stockpiles requires more than simply reducing demand or supply at the hi-tech end of the spectrum.

military hardware, forces, or both. This runs somewhat counter to the basic theoretical notion that says nations will provide first whatever is needed for their own security, and second for the rest of their needs, but it lines up with the observations above that arms decisions are based on other than pure security concerns. For example, Daniel P. Hewitt finds that the ratio of military expenditures to gross domestic product rises as GDP rises in developing nations. To be sure, military expenditures are also influenced by more recognizably military factors such as geography, length of borders, and the like, but the key point here is that developing nations have a proclivity to invest the fruits of their growth in enhancement of their military power.<sup>19</sup> Thus, improvements in the economic picture for many developing nations are being siphoned away from investment in further growth, and simultaneously inspiring neighboring nations to do the same. So enhancing the economic component of comprehensive security for these countries does not necessarily enhance security in the region. Foreign aid, in this situation, is also a mixed blessing. "The level of public and publicly guaranteed foreign financing is found to have a positive association with military spending." Or, more directly, "external assistance ... will induce higher military spending."<sup>20</sup>

The preceding tells us reduction of the general tendency for nations to arm themselves (the demand side, if you will) is still a highly complex

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<sup>19</sup>Daniel P. Hewitt, "What Determines Military Expenditures?" *Finance and Development*, December, 1991, pp. 22-23. His factors account for about 55% of the variance in military spending among the nations studied. One suspects a significant portion of the remaining 45% would be explained by examining the size and nature of threats arrayed against each country.

<sup>20</sup>*Ibid.*

process in a world that is supposed to have gotten more peaceful. Military power still makes a difference in the post-Cold War world, as the Persian Gulf War has reminded us. From that war two key lessons emerge that are relevant to limiting the demand side. The first is that resorting to force to resolve regional conflicts (as did Iraq) will ultimately backfire; this could be used to encourage nations not to arm themselves offensively. The second is that it remains a good idea for nations like ours and others in our coalition to retain the capability to deter and suitably reward such aggression. Unfortunately, you can also take these two lessons together and come up with a counterproductive one: the Iraqis weren't wrong because they fought, but rather because they were too weak. To succeed in arms limitation and control in all the volatile regions of the world, we have to be able to counter this sort of logic, as well as the competing trends and pressures that underlie it.

In theory, we might be able to solve the problem simply by cutting off the production and supply of weapons. The five permanent members of the United Nations Security Council account for 85% of the world's arms exports.<sup>21</sup> Since these nations have recently shown unprecedented degrees of collaboration on international security issues, there is some reason to hope that supply-side reductions in arms proliferation can be substantial enough to have a real effect. A communique issued by representatives of these five nations in July of 1991 "recognized that indiscriminate transfers of military weapons and technology contribute to

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<sup>21</sup>Roland Dannreuther, *The Gulf Conflict: A Political and Strategic Analysis*, Adelphi Paper 264, International Institute for Strategic Studies (London, 1991), p. 77.

regional instability," and acknowledged the "special responsibilities that are incumbent upon them ... to ensure that such risks be avoided, and ... the special role they have to play in promoting greater responsibility, confidence, and transparency in this field."<sup>22</sup> Countervailing forces are offered by the current overcapacity in the defense industries of the world, including our own, and the attendant seller competition in the world's arms markets.<sup>23</sup> This obviously increases the potential for political pressure to be applied in favor of continued or even increased arms exports. Pressures like these are usually accompanied by arguments that arms sales are all right as long as we sell to our friends. These arguments miss the point:<sup>24</sup> inserting more weapons into regional hot spots has historically increased instability, and has moreover made its results nastier when it has burst into open conflict. The operative criterion is not so much the buyer's status as friend—we've not frequently sold to enemies—but the transaction's impact on regional stability.

Unilateral restrictions on arms exports will not significantly improve the picture. These have not helped much in the past when we have attempted to restrict the flow of advanced weapons technology: we may have succeeded in restricting the flow of our own technology, but similar

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<sup>22</sup>"Meeting of the Five on Arms Transfers and Non-Proliferation, Communique (Paris, 8th and 9th of July 1991)," reproduced in *World Military Expenditures and Arms Transfers 1990*, U.S. Arms Control and Disarmament Agency, Washington, D.C., pp. 23-24. Cited by Michael T. Klare in *Conventional Arms Transfers: Exporting Security or Arming Adversaries?* (Carlisle Barracks, PA, 1992), pp. 6-7.

<sup>23</sup>*Arming Our Allies*, p. 3.

<sup>24</sup> Even if you accept for a moment the premise that those who have bought weapons from us have remained our friends. Which would be news, for example, to Saddam. Klare makes a convincing case in this regard in *Conventional Arms Transfers*, cited just above.

technology has nevertheless found its way into the wrong hands. Multilateral restrictions will therefore have to be expanded and their enforcement improved. Achieving this goal in the face of conflicting political and economic pressures is going to be one of the biggest challenges facing the community of nations over the next decades. This is another strong incentive for the United States to maintain its influence in the rest of the world, and particularly among the rest of the advanced industrialized nations. Absent our influence and example, it is hard to see how the goal can be accomplished at all, and it is impossible to see how it can be accomplished in ways that accord with our own long-term interests.

Controlling arms by controlling arms suppliers requires prevention of leakages, an included challenge in the above. This will not be enough, though, if nations can arm themselves using domestic production capabilities. Ultimately, then, as Iraq has just proven for us, the avoidance of destabilizing arms races requires removal of either the capacity or the incentive for production. Thus, while we work to limit the arms trade in the short run, we should also work to build or strengthen arrangements that in the long run will enhance regional security and thereby reduce or remove the incentive for arms production. We will also need workable (i.e., enforceable) arrangements for elimination of selected forms of production capacity in incorrigible cases; again, Iraq's case is instructive.

For purposes of framing an American political consensus on this issue, as on so many of the others, the real questions revolve around our own comprehensive security interests and the most efficient ways of achieving

them. In this regard, the preceding discussion serves to illustrate the complexity and ambiguity of the issues, including some possible conflicts of interest (for example, the beneficial effect of arms exports on the national income). This lends additional emphasis to the need for a better understanding of these issues, and especially of their connection to our comprehensive national security interests. Just as importantly, however, that same complexity also underscores the importance of developing a multilateral approach to meeting the challenges.

Multilateralism includes the United States. Before we accede to the notion that the rest of the world can take care of itself, we should remember that our past international commitments, manifested in force presence and deployments, have succeeded considerably in limiting incentives for arms buildups elsewhere. As Art puts it: "American actions, including the stationing of troops overseas, have played a critical role in retarding nuclear weapons spread among key states."<sup>25</sup> The logic is no less compelling with regard to today's potential for dangerous and destabilizing arms races. This particular logic suggests that providing security assurances to retard arms races would be to our advantage *even if we had to provide such assurances unilaterally*: the costs and risks of removing the assurances are severe and the costs of providing them are (relatively) low. But we should not proceed unilaterally. To do so could easily work to our detriment not just by unnecessarily raising our costs, but also by making competitors out of potential collaborators.

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<sup>25</sup>Art, *op. cit.*, p. 29.



While the challenges calling for multilateral cooperation are more numerous now that the bipolar superpower confrontation no longer dampens proclivities to regional conflict, the opportunities are wider as well. Here once again, the international cooperation in response to Iraqi aggression is a useful illustration; Ian Lesser sees this as representative of the wider range of opportunities for cooperation in prevention or resolution of crises. Core political and military security issues "dominated strategy" for the United States and its partners during the Cold War, he argues, accompanied by a "fear that attempts to forge a NATO approach to peripheral contingencies" might undermine the fundamental collective security interests of the alliance.<sup>26</sup> The same argument could also be made regarding cooperation with Japan and other allies in the Pacific region.

Significant progress will have to be made in developing frameworks for international cooperation in efforts to control arms proliferation and provide regional security assurances. For example, Western (particularly American) media have described Europe's role in the Persian Gulf crisis as uncooperative and craven at worst to floundering and indecisive at best. While these characterizations typify more than anything else the limited ability of the media to view things in perspective, they also demonstrate that arrangements for full cooperation on the panoply of complex issues are far from complete. That the Gulf crisis was a clear and present danger with a nearly ideal caricature of a villain further underscores the difficulty of putting together cooperative arrangements to deal with more nebulous

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<sup>26</sup>Ian O. Lesser, *Oil, the Persian Gulf, and Grand Strategy* (Santa Monica, CA, 1991), p. 29.

threats. The potential for increased cooperation, however, is there. Both NATO and the EC have espoused the principles of cooperation to deal with "out-of-area" crises; the more we and our allies can strengthen these arrangements, the more security assurance we can offer as a means of reducing incentives for arms proliferation.

Recognition of this need, and the potential for cooperation, also shows up in European academic circles. For example, Thomas Kielinger cites a need for Germany to face up to the "permanence of crisis-ridden situations" that can quickly escalate into military confrontations or actual hostilities; he also notes these conflicts could spill over into other regions.<sup>27</sup> Much of Kielinger's piece appears to be an apologia for the low level of German involvement in the Persian Gulf crisis, until one remembers he was writing for Germans, who most probably did not expect an apology. He notes that at the time of the Gulf crisis, the German government and people were just beginning to confront the challenges of unification—under conditions that, at least in the speed with which events unfolded, took everyone by surprise. In the same tone, he laments the political rhetoric that accompanied the unification process. This rhetoric, in its efforts to reassure the rest of Europe, essentially excluded consideration of the possibility that a nation as powerful as Germany might need to cooperate in an effort to contain or defeat aggression elsewhere in the world.<sup>28</sup> His

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<sup>27</sup>Thomas Kielinger, "The Gulf War and the Consequences from a German Point of View," *Aussen Politik*, Vol 42, No 3 (3rd Quarter 1991), pp. 241-242. Since he wrote before the breakup of the Soviet Union, he was probably not thinking about regional conflicts between or among the successor states. He probably is, now.

<sup>28</sup>*Ibid.*, pp. 243-246.

basic point is that Germans had taken leave of *realpolitik* in their preoccupation with unification. He is not apologizing, he is explaining to Germans that they cannot in the future ignore the responsibilities that come with increased power. Getting Germans to agree to the possibility that they could contribute to multilateral peacekeeping arrangements is a healthy step in the right direction. It makes available a significant capability to share the burdens; it also, perhaps more importantly, increases incentives for other nations to be willing to participate. It has the added benefit of keeping Germany on the team, substantially reducing incentives for freelancing.

The key thread of American interests that runs through all these possibilities for cooperation is that we benefit from any improvement in stability that results. It seems obvious, though, that we will benefit more if the improvements are crafted by our own representatives and leaders, who are more likely to have our own interests in mind. Our participation also makes success significantly more likely: in virtually every contingency that bears on our interests, our leadership is more universally acceptable than that of any other nation. We should always seek to reduce the cost of cooperating with and influencing the rest of the world, but not at the expense of reducing the cooperation and influence themselves.

## CHAPTER 8

### CONCLUSION

In one sense the achievement of consensus is more or less assured: democratic systems always achieve consensus, if by that we mean compromising, finding middle ground. Unfortunately, the compromise sometimes is that an issue should not be confronted. Furthermore, reaching consensus issue by issue, without establishing broad agreement on a basic set of principles and a sense of direction, relegates us to continual "muddling through." Our nation has succeeded in the past in achieving the necessary consensus regarding its interests, goals, and direction; it has also gone through periods of muddling through. If all we want is to continue to muddle through, that approach is well within our reach. But we should be able, as we have in the past, to give ourselves a clearer sense of purpose and direction if we make re-establishment of consensus a goal in itself. We too easily assume that the achievement of real consensus with today's issues is somehow more difficult, more complex, than the successful assembling and focussing of national will was in the past. A closer reading of that past, however, would tell us this is not so.

Although abstract political theory offers little by way of confirmation, I suspect that in practice some amount of muddling through is a necessary prerequisite to the formation of consensus for a new direction. Necessary, perhaps, but hardly sufficient. We will not just naturally gravitate to a deeply and broadly based consensus; we must first convince ourselves of the need for it and educate ourselves as to its elements. And it is a deeply and broadly based consensus that we will need to support the achievement of our comprehensive security goals in the changed world of the next decades. This kind of consensus is not the simple sense of agreement we routinely reach through compromise on a host of issues in the day-to-day workings of our political process.

The broader, deeper consensus we need to rebuild involves making bigger issues non-controversial, so implementation of our strategy can proceed consistently and thus with better credibility. The signals we send to the rest of the world regarding our interests and our willingness to promote them—defend them if necessary—are clearer when supported by policy declarations. They are more credible still when manifested in formal or informal commitments. But all contributions to credibility gain added significance when they are known to reflect a strong domestic consensus; a consensus that shifts issue by issue does not qualify.

In support of this point, Nuechterlein offers the following: "... until the nation reaches a general consensus on what kind of world it wants to see in 2000 and the role the United States should play in the twenty-first century, it will not be possible to agree on a strategy and the policies to

carry out that strategy.”<sup>1</sup> In particular, I am stressing the need for consensus on the policies and resource allocations needed to implement the strategy. As I have discussed throughout, we should have little trouble reaching consensus on general goals, interests, and objectives. The crux is resource allocation and the attendant distribution of costs and benefits. Consensus in this regard requires a better understanding of what the costs and benefits are. I also stress that the consensus must extend to “domestic” issues; here I refer primarily to issues of economic policy, infrastructure improvements, and needed structural changes in our patterns of resource allocation. As is clearly implied in discussions in the previous chapters, these are not wholly “domestic” issues in their effect. By the same token, we should more clearly recognize—articulate—the connections between our use of influence in the world arena and the benefits that accrue to us. A basic element of our consensus-building effort, then, must be resolution of the tension between advocacy of continued foreign involvements and advocacy of turning inward to tend to “domestic” concerns. In today’s world, particularly in its economic dimension, “domestic” and “foreign” concerns are largely inseparable; treating them as distinct is self-deluding and undermines consensus.

It will help us to recognize that our strategies and policies have long been based primarily on national self-interest<sup>2</sup> and secondarily on altruistic concerns. This will get us past the notion that it’s time for other

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<sup>1</sup>Nuechterlein, *op. cit.*, p. 12.

<sup>2</sup>Whether correctly determined and articulated or not.

nations to take up their share of the burdens: a notion rooted in the belief that we have been doing other nations a favor by letting them ride on our security coattails. Recognizing, as other nations do, that we were acting primarily in our own interests will help greatly in rationalizing the debate over burden-sharing issues. It will also help solidify American support for a strategy of continued global influence.

Recognizing that the rest of the world will affect us, and we the rest of the world, reduces the overall issue in the foreign policy arena to consideration of what proportion of its ultimately finite resources our nation should devote to promoting its worldwide interests. This begins with consideration of what world order we would like to see. Samuel Huntington offers three alternative world orders as follows:

- the United States as the preeminent power, cooperatively presiding over relations among other nations;
- true multipolarity, with no single power preeminent; or
- some other power preeminent.<sup>3</sup>

Clearly there are other possibilities, but this list is sufficient to illustrate the range and criteria for our choices. Paralleling these alternative world orders are some general policy orientations, outlined by Nuechterlein as follows:

- Internationalist—along the lines of Joseph Nye's *Bound to Lead*—founded on the idea that no other country is sufficiently endowed with the combination of capabilities and advantages needed to lead the new world order.

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<sup>3</sup>Huntington, *op. cit.*, pp. 16-17.

- “Selective internationalist.” This would take the form of expanded trading opportunities and maintaining the capability to project military power when necessary. At the same time, it would also include an expectation that emerging regional powers or blocs would take up more of the burden of assuring regional stability.
- Nationalist/neo-isolationist. The premise here is that there is no reason for the U.S. to be the world’s policeman; the cost of doing so has worked to the detriment of our economy and our position in world trade relationships. Thus, we need to pull away from the rest of the world and rebuild our own economy. This is the position closest to that of the latest “America First” movement.
- Withdrawal/pacifist. A more extreme variant of the third policy orientation. In this construct, war is truly a last resort, so military forces should be postured at levels sufficient only to assure survival, i.e., at levels greatly below those of current or currently projected forces.<sup>4</sup>

The options at the upper end of the spectrum obviously require that we devote a larger amount of resources to implementation of foreign policies, possibly including the employment of military force to defend our interests. At the same time, we will find ourselves more able to promote our interests if we remain preeminent; this requires the more active orientations. We should also remember considerable economic leverage is available, in terms of the gains from foreign trade, if we remain sufficiently engaged with the rest of the world. Disengagement, in other words, will cost us at least as much in foregone gains from trade as it saves us in resources devoted to promotion of our global interests. It will remain in our interest to cut the costs of our involvement by pursuing policies in the range of Nuechterlein’s second option, which includes significant

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<sup>4</sup>Nuechterlein, *op. cit.*, pp. 240-242. I have changed his order to preserve the parallel with Huntington.



redistribution of regional stability burdens. A critical adjunct of this policy approach will be continued pursuit of arms control efforts, painful as the results may be for those in the arms production business.<sup>5</sup> In the rather long interim, as this process grinds along, we and our partners will have to continue with a military strategy that postures forces for deterrence of and response to crises that threaten stability.

The above advocacy of an activist world role for our nation does not in any way imply that we should ignore the needs to revitalize our economy and to continue with our progress on social issues. On the contrary, we will continue to polarize ourselves politically if we do not pay more attention to these issues. This will make it impossible to achieve consensus on any part of our comprehensive security strategy, foreign or domestic. But we do have to realize—and articulate—that the real problem is not that foreign involvements have siphoned resources away from these other concerns. The real problem is that we overconsume. As I have laid out in Chapter 6, the resource requirements for redressing our economic imbalances far exceed those that could be made available by adopting the isolationist orientations described in Nuechterlein's list, even if isolationism could otherwise be shown to be a good idea.

We seem ready, or more than ready, to agree we are truly interested in getting on with the task of shifting resources to improvement of our infrastructure, more investment in modern and more environmentally

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<sup>5</sup>Arms control is obviously consistent with the other approaches as well, but this approach makes the necessary multilateralism easier to achieve.

benign plant and equipment, and enhancement of education and health care. True to form, we are less inclined to agree as to which resources to shift. What remains, then, is for us to develop the consensus for action on specific issues. We must face the facts, and agree that the resources for these sorts of initiatives will have to come largely from a curtailment of our current consumption rates. This would simply be a reaffirmation of our inter-generational obligations, from which we have strayed of late.

Growth of the national income makes all of the above easier to achieve, for rather obvious reasons. Growth can and will come from the fruits of increased investment in productivity, innovation, and education. But it can also come from the potential gains we can make from trade with the rest of the world, gains we will forego if we allow the international economic system to degenerate into trade and tariff wars. We will do far better if we leverage our influence in positive directions: encouraging (where necessary, ensuring) stability, promoting free and open trade, and assisting in economic development. The last is another form of investment, inasmuch as it leads to bigger markets and more gains from trade.

As the different elements of comprehensive security become more and more interrelated, actions to implement a particular objective will more and more have to take account of the effects of those actions elsewhere. This point has continually been evident in previous discussions; the implication is that we need to develop an integrated view of the costs and tradeoffs among the various ways of achieving our comprehensive security objectives. Huntington, on this issue, has the following:

The promotion of U.S. strategic interests will involve not only foreign and defense policy but also domestic policy on the budget, taxes, subsidies, industrial policy, science and technology, child care, education, and other topics.

Accordingly, he cites a need to "create the institutional means to develop a more comprehensive approach to national security policy."<sup>6</sup>

Creating such institutional means would aid not only in the coordination of policies affecting our comprehensive security, but also in the articulation of the goals, objectives, and implementing policies. Aid, that is, in formation of a consensus to support our new strategy and "the budgetary and resource allocation sacrifices needed to provide for our long-term comprehensive security."<sup>7</sup> This is particularly germane in light of the proclivity for special interests to cause gridlock, as observed in the introduction. If we can do a better job of integrating our strategies and our ways and means of implementing them, we will also be able to do a better job of identifying national interests as national, and deserving special interests as special. In this way we crystallize the picture of our choices, and choices that are better understood are likely to be better choices altogether.

The implication of "creating institutional means" is that such an institution does not yet exist. That may be wrong: the National Security Council could fill this role. The NSC's charter, in essence, is to "coordinate the economic, military, political, and psychological power of the United

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<sup>6</sup>Huntington, *op. cit.*, p. 15.

<sup>7</sup>As Seymour Deitchman put it. *Op. cit.*, p.11. See also Chapter 3, pp. 30-33.

States and direct those enormous energies to the fulfillment of its new responsibilities for free-world leadership."<sup>8</sup> Interpreting this specification of the charter broadly enough to allow for consideration of the entire panoply of comprehensive security issues means expanding the membership of the NSC. This would amount to institutional recognition of the essence of comprehensive security and of the inseparability of its elements. For this and other reasons, use of the NSC is in all likelihood preferable to creation of yet another council or agency. Along with this will have to come closer coordination with the Congress, especially given the understandable Congressional focus on domestic economic and social issues. Again, this would quite probably be a very good thing: coordination with Congress regarding the whole range of policies, far from adding to gridlock, may in fact alleviate it. It would also provide a practical basis for consensus that the Congress could convey to its constituents.

It would be entirely possible to take other institutional approaches—agencies, councils, committees—to the development and coordination of comprehensive security policies. Regardless of the institutional means by which it is accomplished, however, our fundamentally most important political task remains the formation and nurturing of actionable consensus. Consensus strong enough to break through political gridlock. Does this come from strong, aggressive, and principled political leadership? It is easy enough, and truthful, to say yes. Our political leadership, both

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<sup>8</sup>R. Gordon Hoxie, *Command Decision and the Presidency: A Study in National Security Policy and Organization* (New York, 1977), p. 83. He describes the National Security Act of 1947 as an endeavor to institutionalize processes for this coordination. But see his pp. 138-141 to get the decidedly defense-oriented flavor.

executive and legislative, breaches obstacles with élan when it seizes the moment. The issue of aid to the republics of the former Soviet Union is a useful recent example. Agreeing in the abstract that we had a significant national interest in the success of these attempts at democratic transformation, we were hung up at the practical level of resource allocations. Hung up, that is, until the leadership at both ends of Pennsylvania Avenue<sup>9</sup> recognized which interests—the national ones—were overriding and which—the local, special-interest, and bureaucratic—were secondary.

So with this kind of example in mind, it is easy enough to say we need more of “that” kind of leadership: oriented on the issues, ready to attach the right level of priority to truly national interests, and willing to articulate its readiness to do so in the face of political fallout. Our leadership is clearly capable of meeting these standards. What is less clear is the degree to which we want it to. Do Americans really want leadership, or do they instead want magic? Is it the fault of our leadership that we seem more and more to expect the latter? Our leadership can help reestablish the needed consensus, but only if we recognize the need: to bring about a true comprehension of the connections between ends and means, so that we enable stabilized and credible long-term planning and resource allocation to achieve our comprehensive security goals.

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<sup>9</sup>Inspired to a significant extent, it appears, by admonitions from former President Richard Nixon, manifested especially in his address at the Nixon Library Conference on March 11, 1992.

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